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COMMERCE AND RAILWAY TRAFFIC COURSE

C. C. McCAIN

Chairman, Trunk Line Association

JOHN P. CURRAN

Of the Central Freight Association

PART 3

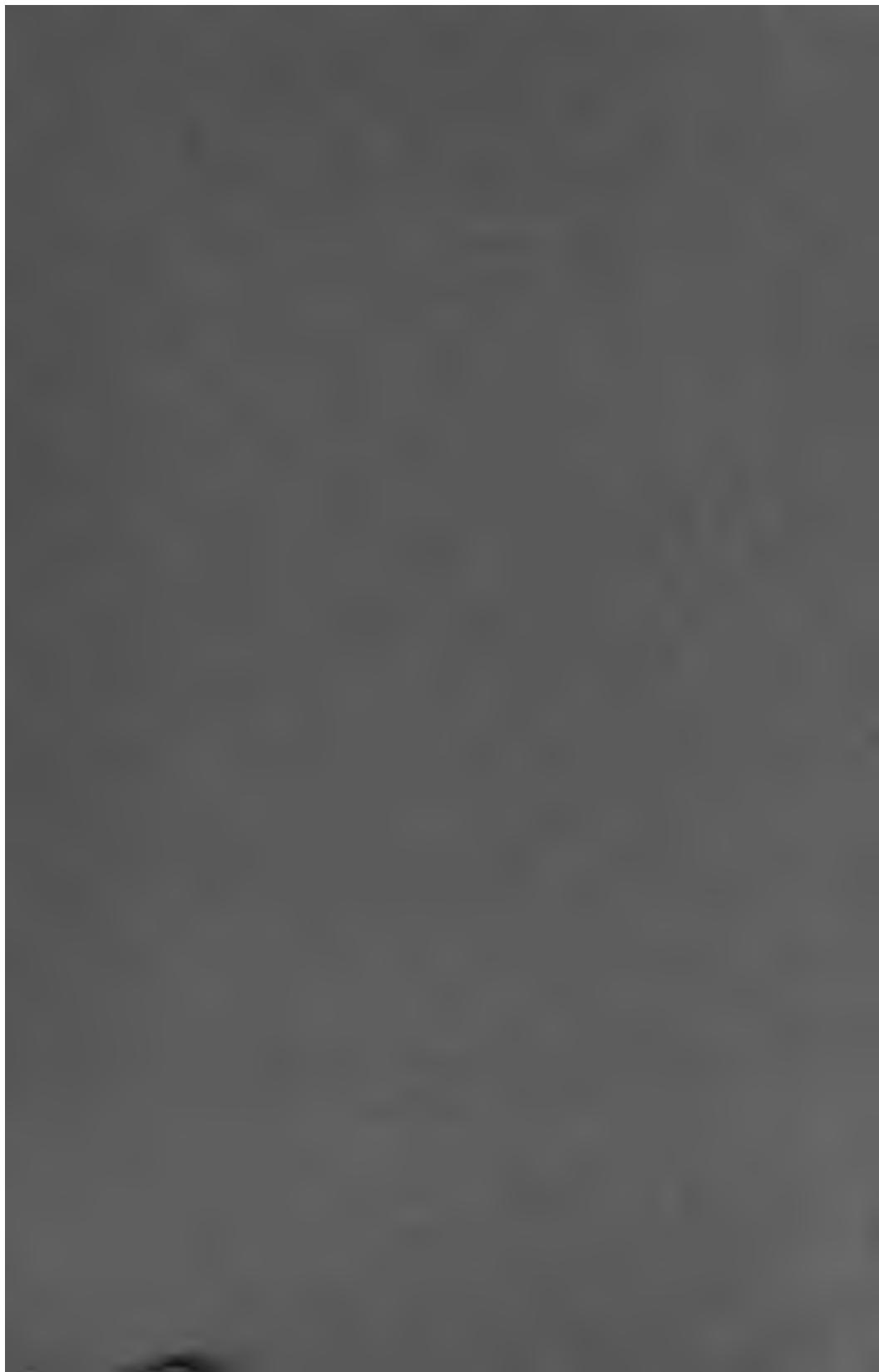
DEVELOPMENT OF PERCENTAGE SYSTEM
ALL-RAIL RATES WESTBOUND

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CHAPTER VIII

THE NEW YORK-CHICAGO PERCENTAGE RATE SYSTEM

ORIGIN

Having treated the intrastate and intraterritorial rate adjustments obtaining within Official Classification Territory, we shall now take up the interterritorial or so-called percentage system, which is viewed by many as the most scientific and most satisfactory adjustment of freight rates obtaining in this country. In the words of the Commission, this percentage adjustment between Central Freight Association Territory and the east has long been in effect and has given general satisfaction. The Commission has uniformly sustained the carriers' contention that this system of rate-making ought not to be disturbed nor broken in upon even in special cases without strong reason for so doing.¹

As will be fully explained in the subsequent chapters, the key to this entire adjustment is the New York-Chicago rate and the distance relationship existing between other points and Chicago as contrasted with the haul from Chicago, this procedure determining the development of the various percentage groups.

The percentage plan of making rates in this territory is said to have been proposed in 1876 by John T. McGraham, a rate clerk in the offices of the Pennsylvania Railroad. Although the credit for the introduction of the New York-Chicago rate system has been ascribed to

¹ 23 I. C. C. Rep. 684-86.

Mr. McGraham, and although this system has been called the McGraham System, it is probable that the percentages were first applied in certain instances only, and that later the application was made general.

The records of the Trunk Line Association indicate that the McGraham table of percentages for determining westbound rates was first applied by the Trunk Lines on December 15, 1871. At this time the percentage prescribed for constructing Peoria rates was 112 per cent of the New York-Chicago rate. This percentage was applied to articles which were assigned a special rate, such as sugar, coffee, and molasses.

It is well known that since 1877 a percentage scale, either the McGraham table or a revision thereof, has been applied to westbound class rates generally and also to any commodity rates which may have been established.

However, Mr. McGraham should be given credit for making the general application of the percentage scheme, which has proved the most satisfactory and stable interstate rate system in the United States and under which, perhaps more than half the freight of the United States and Canada moves either in part or throughout its entire route.

The causes leading to the adoption of a systematic rate system by the Trunk Lines about 1876 are worthy of the consideration of all serious students of rate-making. Between 1874 and 1876 there were only four through lines between Chicago and the Atlantic Seaboard. During this period most disastrous rate wars occurred between these lines. The largest item of traffic was grain, eastbound. As late as 1882, 73 per cent of the eastbound Trunk Line tonnage consisted of grain and grain products. The larger part of this grain traffic was gathered up along the lines east of the Mississippi River. The large elevator centers had not arisen, and the states of

Illinois, Indiana, and Ohio were at this time served by a number of small cross lines which gathered up the grain and delivered it to one of the Trunk Lines or to a lake line for eastern shipment. Rail rates were still high in comparison with the present rates. They were, on an average, roughly twice the average rate at the present time. Moreover, the conditions of railway operation not having at that time attained the present state of efficiency, water competition was a matter for more concern than at present. Professor William Z. Ripley has well expressed some of the conditions of competition that indicate the gravity of the rate problem at that time in the following paragraphs:

Among these confusing elements in the problem of trunk line rate adjustment five distinct phases were prominent. In the first place the four trunk lines were a unit in opposition to the diversion of traffic to the Great Lakes and the Erie Canal. However much they might bicker with one another afterwards, apportionment of the rail business being a distinct feature of the problem, their interests at the outset were identical respecting the necessity of holding the business on land. Water competition by way of the lakes or the Ohio River was a danger common to them all. The intensity of this pressure may be understood from the statement that the trunk lines were not even consulted in making the Chicago-New York rate on which the western lines prorated. They had no voice in it, merely accepting the figure offered them by their connections into Chicago. The second feature of the problem, namely the division of the all-rail traffic among the competing carriers is immaterial to the main question before us. Thirdly, it was essential to the trunk lines to restrict and control the activities of the subsidiary cross lines and feeders, most of which, as has been said, were independent. Many of these, aside from having a direct interest in their longest haul to a terminus on the lakes or the Ohio River, had been built by local capital, and were administered in the interest of the lake cities or Cincinnati and Louisville. There was no unity whatever in their policies, and the most ridiculous wastes of transportation resulted. Grain was literally meandering toward the east instead of moving by a direct route. Joint through rates would be made by the most extraordinary chain of connecting links leading to the seaboard by various circuitous ways.

A fourth evil, akin to this, consisted of the difficulty of maintaining through rates, not as among the trunk lines who might be made parties to a pool, but by reason of cutthroat competition between their western connections. The agents of these western lines would indiscriminately cut rates to or from points on their lines, and then expect their trunk line connections to accept a proportionate shrinkage of the joint through rate for their part of the haul. The weaker companies would, of course, be susceptible to such temptations in order to secure the business. No stable apportionment of this western traffic among the eastern lines would be possible until they could agree upon a fair rate for the trunk line haul, and rigidly adhere to it. And, finally, water competition, causing constant fluctuations in the lake and Ohio River rates, while directly potent only at water-way points, was continually putting the through rates from these points out of line with the local rates from noncompetitive inland centers. Or, perhaps, the Ohio river and lake rates would be out of joint with one another. The Chicago basis, if applied to Paducah, would make a rate on tobacco that would send it via New Orleans. Products would go down the Mississippi after the lakes had been closed by ice. A considerable amount of corn was certainly moved to New York by that route. Some device for coordination of the through and local rates—or, as one might put it, for the distribution of the localized shock of water-rate changes—was imperatively necessary.²

APPLICATION OF SYSTEM

The system as first adopted in 1876 made the New York-Chicago rates the basis for other rates between the Atlantic Seaboard and the Central West. Points in Central Freight Association Territory took the percentage of the New York-Chicago rates that distance from New York determined. A point 60 per cent of the New York-Chicago distance from New York, for example, took 60 per cent of the New York-Chicago rates.

In 1879, however, the system was modified, in so far as points east of the Indiana-Illinois state line were concerned, so as to allow for terminal charges before computing the percentage of the New York-Chicago rates.

² *Railway Rates and Regulations.*

The general method of the modified system, which is the system still in effect, may be illustrated by a statement of its application to any point. Springfield, Ohio, for example, for eastbound rates is in the 82 per cent group.³ Xenia, Ohio, is the base point for that group. Its distance to New York at the time this system was established was 700 miles. A rate of 25 cents was assumed as an average rate for all classes and commodities between New York and Chicago. Six cents was then deducted for the terminal charges at both ends of the haul. The remaining 19 cents represented the assumed charge for the haul exclusive of any service at the terminals. This rate of 19 cents being divided by the New York-Chicago distance of 920 miles gave \$.000206 as the charge per mile between New York and Chicago. This rate per mile was used as the factor for establishing an assumed rate from any particular junction or competitive point on the basis of its mileage to New York. The charge of \$.000206 per mile, above referred to, multiplied by 700, the distance from Xenia, Ohio, to New York gives 14.42 cents; if to this we add the 6 cents representing the terminal expenses at both ends of the movement, we get 20.42 cents as an assumed rate from Xenia to New York. This 20.42 cents is 81.7 per cent of the assumed rate of 25 cents from Chicago to New York; under the application of the general rule obtaining for the disposition of fractions resulting from such computation, a fraction of one-half of a per cent or more is considered a full per cent. A percentage of 82 is thus arrived at as the basis for constructing rates from that group, and the rates from Springfield to New York are, therefore, 82 per cent of the rates from Chicago to New York.

Applying the same formula and using the past-day

³ See Map 6, *Atlas of Railway Traffic Maps*.

short-line mileage of 920 miles, the following percentages are obtained to the points indicated below:

TOWN	DISTANCE	RATE	PERCENTAGE
Cleveland, Ohio	575 mi.	17.85	71%
Detroit, Mich.	662 "	19.63	78 "
Evansville, Ind.	986 "	26.31	105 "
Pittsburgh, Pa.	440 "	15	60 "
Quincy, Ill.	1,130 "	29.28	117 "

The selection of the base points of the groups lies arbitrarily with the carriers.

This was the system as revised in 1879. There was an understanding among the carriers not to cut the rates at competitive points below the established basis. There was no agreement that rates should not be made more than those established as minima. However, competition and the fourth section of the Act to Regulate Commerce have caused the percentages to be applied as both maximum and minimum rates.

EASTBOUND V. WESTBOUND GROUPS

A glance at Maps 4 and 6 of the *Atlas of Railway Traffic Maps* will show some of the differences in percentage groups. For example, the 87 per cent group for eastbound rates shows territory around Charleston, W. Va., as a slender high-heeled shoe, whereas the westbound map shows territory around Charleston in 87 per cent territory in a very different shape. On the eastbound rates, Vincennes, Ind., takes 103 per cent rates and on westbound shipments, 108 per cent. Evansville, Ind., takes 105 per cent on eastbound shipments and 110 per cent on westbound shipments. The southern part of the 110 per cent group for eastbound rates is in the form of a sharp point, whereas for westbound rates it spreads to the east in enlarged form. On

westbound rates the percentage is higher for a considerable distance north and east of Evansville. The rates vary, not only for eastbound and westbound movements, but the groups themselves for both the eastbound and the westbound rates are irregular, as may be seen by a glance at Maps 4 and 6.

MODIFICATIONS

Several factors have tended to make the territories quite irregular, but competition between rival carriers and between commercial centers has been the chief cause.

1. The system as first applied affected common points only, that is, points at which more than one east-and-west route competed for the business. Competition between the carriers tended to extend the groups to the westward at important junction points. An inspection of Maps 4 and 6 will show that usually the large centers, such as Fort Wayne, Indianapolis, Louisville, Evansville, Peoria, etc., are located either on the extreme western borders of the percentage groups or very near them.

2. Another disturbing factor has been the north-and-south lines. For example, suppose Line X originally lay across the 96, 97, and 100 per cent groups. If this line carried business to and from the east, points on the line must be in the same group; otherwise, there would be a violation of the fourth section of the Act to Regulate Commerce. Hence, the demand was made that points on its lines be accorded the 100 per cent basis, which has been modified further as is indicated on the maps in the *Atlas of Railway Traffic Maps*. Other lines have made the same complaint, and similar changes have been made. This factor of the cross-line influence has been very potent in affecting the grouping.

3. The third important factor, affecting the grouping so as to modify a symmetrical arrangement, is that of commercial competition of the cities and manufacturing

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and distributing centers. A number of changes from the original grouping have been made on this account. Hundreds of requests have been filed with the railways and freight committees for changes in the grouping of commercial centers, and minor changes are continually being made. For example, Grand Rapids, Mich., and Saginaw, Mich., were once in the 100 per cent territory. Grand Rapids is now accorded 92 per cent territory and Saginaw, 88 per cent. Shifts in both directions have sometimes occurred. New roads have been built and new and shorter routes established since the percentages of the original groups were assigned. Newly developed traffic and other conditions have also been considered and from time to time have led to alterations in the percentages of certain points. The effect of these influences on the form and boundaries of the percentage groups is not without significance. Changes are continually being made for commercial considerations. A factory of one center wishes to be on a parity with the factory of another, or the dealers of one center wish to be placed on a parity with those of another. New factories are being erected and new distributing industries built up from time to time. In the main, however, the percentage system has been adhered to rather closely.

No group rates in the United States have been subjected to less change or criticism than the New York-Chicago percentage system. In the Saginaw case⁴ an attack was made before the Interstate Commerce Commission on the assignment of a percentage to a certain group. The complainants did not criticize the reasonableness of the rates in and of themselves. The claim was that the rates to Saginaw, Mich., and group points⁵ were too high in comparison with rates to other groups, more especially to the 78 per cent group including

⁴ 17 I. C. C. Rep. 128-38.

⁵ See Maps 4 and 6, *Atlas of Railway Traffic Maps*.

Toledo, Detroit, and Port Huron. The Saginaw Valley group takes 92 per cent of the New York-Chicago rates, while Detroit, Toledo, and Port Huron are in the 78 per cent group. The complaint was that the jobbers located in the 78 per cent group could supply the retail dealers in territory that should be contributory to Saginaw at less cost than could the Saginaw shippers.

The percentage of the Saginaw and Flint group was arrived at originally on the basis of the mileage by the Pere Marquette Railroad from Flint to Toledo and thence by the Pennsylvania Lines to New York. This haul, in 1892, when the rates were adjusted to this group, was a distance of 828 miles, and on the formula of distance rates between New York and Chicago, Flint was given the 92 per cent basis. This percentage was extended to Saginaw, which is even further from New York than Flint. At that time, the Grand Trunk Route through Port Huron to Saginaw was 823 miles from New York, which gives Saginaw practically the same percentage.

Later, however, the Grand Trunk reduced its distance from Port Huron to Buffalo from 229 to 196 miles. The complainants made the plea that since the short-line distance between Saginaw and New York through the Port Huron gateway was only 731 miles, Saginaw should be placed in 84 per cent territory according to the New York-Chicago percentage basis. The Commission, however, made the point that since Saginaw was off the main route of heavy traffic between New York and Chicago, the reason for according Saginaw its short-line percentage was not so valid as for allowing Detroit and Toledo the advantage of their location on both the lake and the rail routes between the east and the west. There is little through traffic to and from the west through Saginaw.

The Commission stated that the upper part of the peninsula of Michigan, not being a heavy traffic district,

should not be placed on the same basis as such gateways as Detroit and Toledo; that if the rates were reduced to the Saginaw Valley, the rates would necessarily have to be adjusted to other points in the sparsely settled upper part of the peninsula; and that these rates would apply via the longer routes south of the lakes as well as via the shorter routes through Port Huron. The latter condition would cause violations of the fourth section of the Act to Regulate Commerce. For these reasons the Commission was of the opinion that the Saginaw rates were not discriminatory.

FEDERAL APPROVAL

In the decision of the Saginaw case the Commission made the following comment on the New York-Chicago rate system:

While it is not always a simple matter when examining a map of the percentage group territory to understand and at once comprehend the causes that have produced zones or groups of such irregular outline, nevertheless, a careful study of particular groups, and some knowledge of the transportation conditions that surround and effect them, have given us the general impression that their boundaries have been established upon substantial and presumably sound grounds. The fact that no group rates in this country have been subjected to less criticism than the rates to and from the percentage-basis territory and the Atlantic coast is some evidence of the care with which the system has been developed.⁶

The formula employed in establishing the percentage groups in the case of traffic destined to points east of the Indiana-Illinois state line differs from that employed in the case of traffic destined to points beyond.

As opposed to the principles applying east of the Indiana-Illinois state line just given, the distance relationship was not preserved to the same degree west of that line. The present-day groupings were established in

⁶17 I. C. C. Rep. 132.

their original form in 1877 and at that time the traffic of Illinois was neither heavy nor as highly competitive as it is today. Peoria, Ill., was then the principal town (in Illinois) west of Chicago, and the distance from New York to Peoria was 110 per cent of that to Chicago. Peoria was accordingly given the 110 per cent rate. Most of the territory between Peoria on the west and the Indiana-Illinois state line on the east was thrown into one broad group taking the 110 per cent rate. It is believed that at one time no other rate was applied within all this territory, but subsequently, upon the insistence of certain localities, two or three towns were given lower rates.

As disclosed by the *Atlas of Railway Traffic Maps*, there are numerous small groups west of the 110 per cent group, taking rates of 112, 113, and 115 per cent of the New York-Chicago rate. The greater part of the state, however, is assigned to the 110, 116, 117, and 120 per cent groups.

It will be observed in this adjustment that in determining the percentage relationship, the basing rates and terminal charge employed east of the Indiana-Illinois state line are disregarded and the relationship is determined solely by that of the New York-Chicago mileage as contrasted with the New York base-point mileage.

Peoria, Ill., is selected as the base point for the 110 per cent group. The present-day short-line distance to this point is 1,001 miles, which is approximately 110 per cent of the New York-Chicago distance of 912 miles.

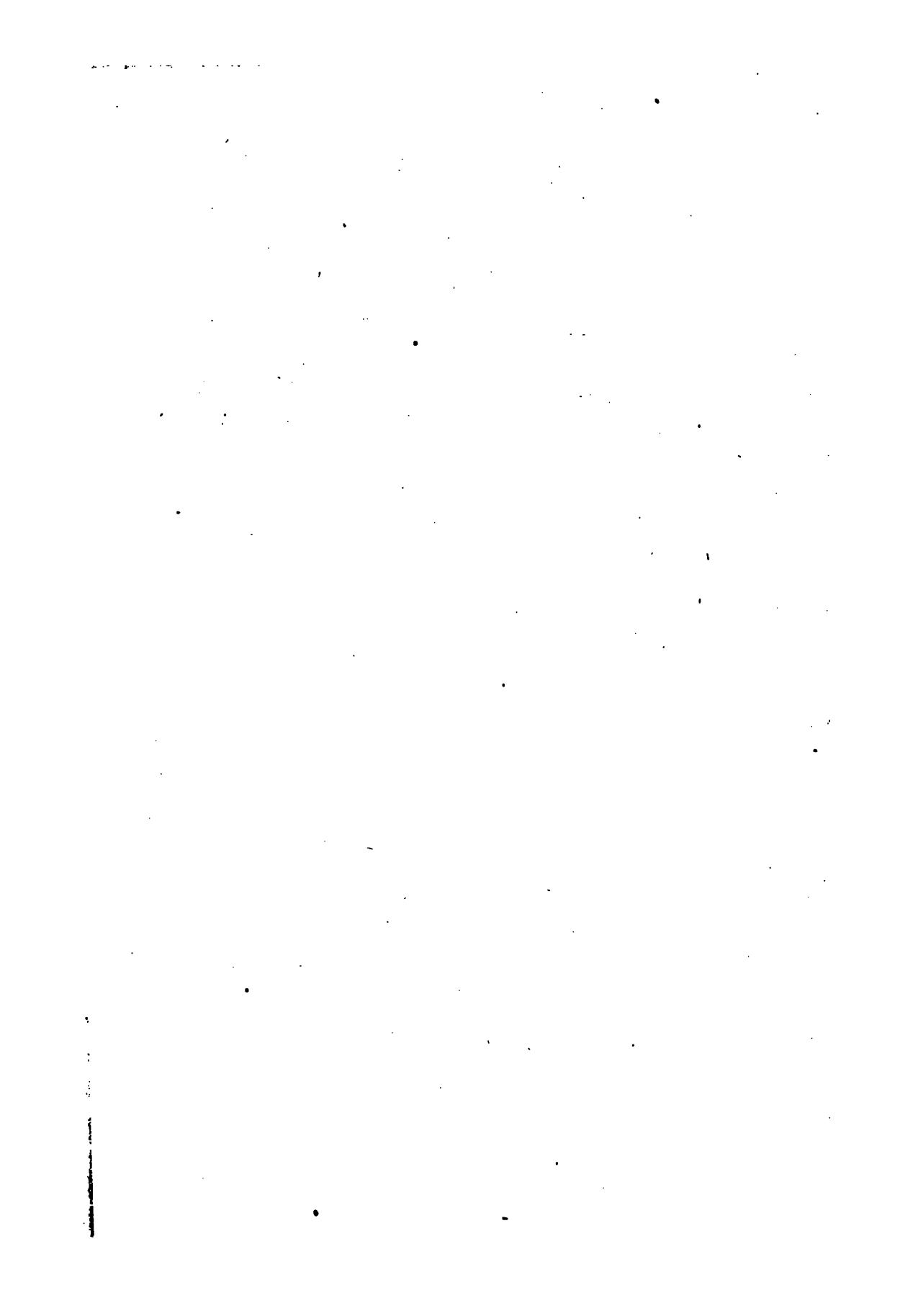
Likewise, the distance from New York to East St. Louis, Ill. (1,045 miles), is approximately 116 per cent of that to Chicago. Originally, East St. Louis was given a 116 per cent rate but subsequently (1907), when the rates to St. Louis and East St. Louis were made the same, this was increased to 117 per cent and the bridge toll on which rates to St. Louis were previously made was abolished.

Concurrent with the change in rates to St. Louis, the area of the 117 per cent territory was drawn considerably to the east and at one time included Springfield, Ill.

This adjustment, so far as Springfield is concerned, continued until December 1, 1913, when the Commission upon investigation prescribed as reasonable rates for the future those obtaining under the 113 per cent scale.

Several other complaints have been heard and readjustments prescribed, resulting in the reduction of class and commodity rates to Elgin, Ill., from the 110 to the 107 per cent basis, and of class rates to Rockford, Ill., from the 116 to the 112 per cent basis, and to Freeport, Ill., from 117 to 114 per cent of the New York-Chicago rate.

With the exception of the points mentioned and possibly some few others, the percentage-rate designations applied to points west of the Indiana-Illinois state line do not express the relations which the distances from New York to the points in question bear to the distance from New York to Chicago. They are used merely to indicate the relationship of rates. Oftentimes, it will be observed that the transition from one group to another is abrupt, as from 100 to 110 and 110 to 117. A study of the construction of rates under the percentage system will clearly show how satisfactory this method proves in actual practice.





CHAPTER IX

THE NEW YORK-CHICAGO PERCENTAGE RATE SYSTEM—Continued

ROUTES

The method under which the percentage groups are determined having been set forth, it is well, at this time, to consider the existing rates applying between New York and Chicago, since they are the basing rates which are used to determine the rates between New England and Trunk Line territories on the one hand and Central Freight Association Territory on the other, as well as some points in Eastern Canada.

Table 14 shows the westbound class rates from New York and other seaboard points to Chicago, via the various classes of routes, and the differentials that specified routes are conceded under the all-rail rates.

The necessity of these differentials is to equalize the competition of the direct and indirect lines. It is only natural that the more circuitous lines and those having a relatively slower service should adjust their rates with relation to the rates established by the direct all-rail lines, making the direct all-rail rates the standard by which the other rates are measured. From this comes the term "standard all-rail rates."

Diagram 9 indicates several of the more important routes serving Chicago and New York. The all-rail routes are indicated by line 1; the rail-and-lake routes by line 2; Long Island Sound and the Canadian routes by

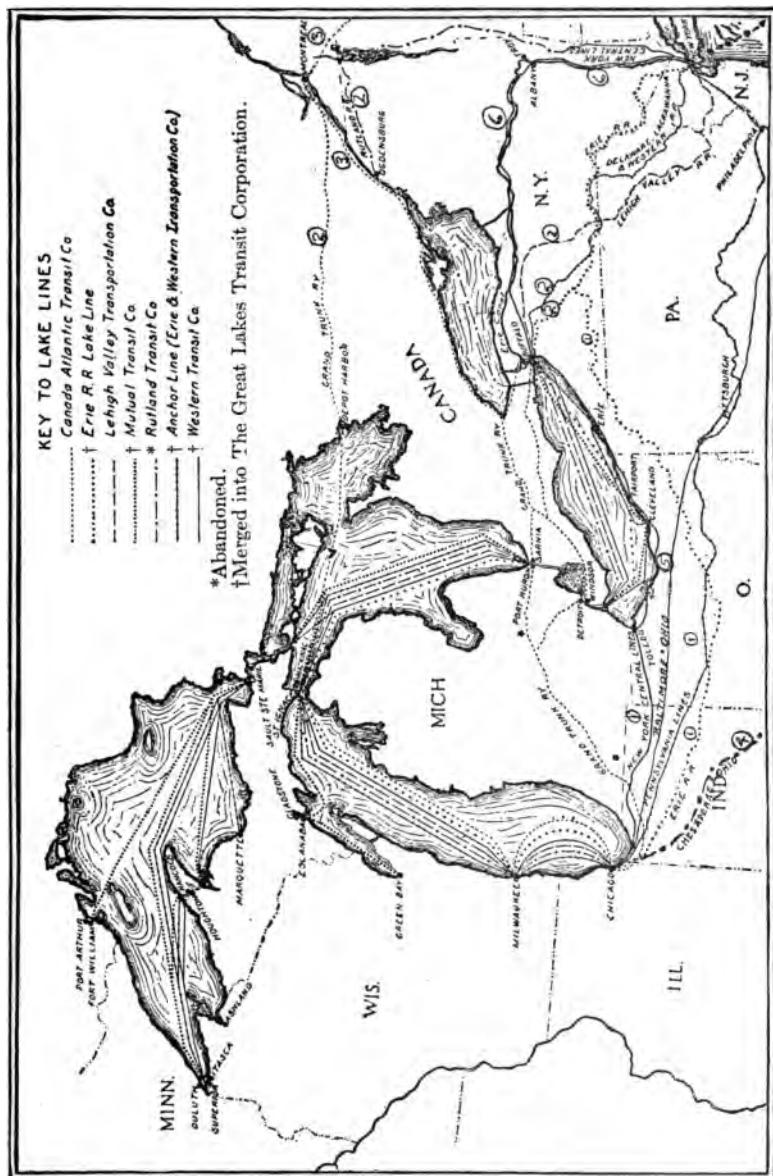


DIAGRAM 9

line 3; the ocean-and-rail routes through Virginia ports by line 4; the ocean-and-rail routes, through Baltimore by line 5; Hudson River and Erie Canal by line 6.

During the season of navigation on the Great Lakes there is not much choice between the service rendered via the rail-and-lake routes and that via the ocean-and-rail routes through the Virginia ports and Baltimore. Since the character of the service is the same, necessitating transshipping from vessel to car, or vice versa, at one or more of the ports, we find that the charges or rates of transportation are adjusted on approximately the same basis.¹

The route through Long Island Sound to New London, Conn., and thence via the Central Vermont Railway and its Canadian connections not only involves the transhipment feature but also a much greater distance. To offset this disadvantage, the rates via this line are adjusted on a somewhat lower basis than that which obtains under the ocean-and-rail and rail-and-lake routes.

Transportation by way of the Hudson River, the Erie Canal, and the Great Lakes naturally attracts only the lower classes of traffic, in which service and the element of time are minor considerations. The length of time needed for the journey, the various transhipments required, and the element of risk and marine insurance all warrant the establishment of rates via this route on a lower scale than is accorded any of the other routes serving the community.

However, as the rail-and-water adjustment constitutes a later chapter of this treatise, we shall not attempt at this time to go into the matter at any length. Suffice it to say that shippers or receivers of freight who can avail

¹ Note that the ocean-and-rail rates are higher during the season when lake navigation is closed.

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themselves of these differential routes can effect a material saving in the transportation charges as compared with the all-rail rates and routes.

To exemplify further the disparity in the eastbound and westbound adjustments, Tables 15 and 16 show a representative line of commodity rates in each direction.

TABLE 15^①COMMODITY RATES VIA STANDARD ALL-RAIL LINES FROM
NEW YORK TO CHICAGO

COMMODITY	②RATE
Bagging, burlap	30
Brick, common	28
Cement	22
Coffee	36
Ferro manganese	6.00④
Fuller's earth	26.5
Kainit	26.5
Lemons	48.5
Oranges	48.5
Oysters	48
Oyster shells, crushed	23
Paving blocks, stone	26.5
Petroleum oil	33
Potash, muriate of	26.5
Salt	24
Soda; bicarbonate of	26.5
Sugar	31.5
Sulphur, crude	23
Tin, pig	29
Wood pulp	26.5
Zinc ashes	6.00④

①Rates are governed by the Official Classification.

②Unless otherwise specified, rates are in cents per 100 pounds in carloads.

③Per ton of 2,240 pounds.

④Per ton of 2,000 pounds.

It will be noted from Table 15 that the commodities are such as are peculiar to the east, as manufactured articles, imported commodities, or natural products.

TABLE 16^①COMMODITY RATES VIA STANDARD ALL-RAIL LINES FROM
CHICAGO TO NEW YORK

COMMODITY	(2) RATE
Asphaltum	24
Binders, board	24
Brick	25.5
Cattle	38
Cement	22
Copper	24
Grain	24.5
Grain products	25
Hogs	38
Horses and mules	74
Iron and steel articles, for export	32.5
Lead	22
Magazines (returned)	42
Meat, fresh	55
Ore, copper	24
Salt	27
Sodas	26.5
Spelter	19.5
Syrup, corn	29

^①Rates are governed by the Official Classification.^②Rates are in cents per 100 pounds in carloads.

Table 16 shows rates under the eastbound commodity adjustment which are confined to articles produced in large quantities and which constitute no small proportion of the traffic in so far as the middle west is concerned. It will be observed that on articles which are produced in the east and west, such as cement and soda, the rates are the same in both directions. This procedure puts manufacturers and dealers in this line of articles on a parity as to rates.

The rates on these few representative articles have been reproduced in order to give a more definite idea of the rates between New York and Chicago than could be obtained from the table of class rates. The rates between New York and Chicago, both class and commodity, are

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the base factors on which rates are constructed between all points east of the Western Termini on the one hand and all Central Freight Association points on the other. There are some modifications in the system in its application to class rates, and there are many more in its application to commodity rates. However, the system is applied to commodity rates to a considerable degree as well as to class rates generally throughout the territory, overlapping in some cases into Canadian Freight Association Territory on the north and into Southern Territory on the south.

CHAPTER X

ALL-RAIL RATES WESTBOUND

FROM NEW YORK AND NEW YORK RATE POINTS TO WESTERN PERCENTAGE GROUPS

(a) Class Rates

In the chapter devoted to the development of the percentage system, mention was made of the fact that in some cases a point does not fall in the same group on westbound traffic that it does on eastbound traffic. Special emphasis is laid upon this point at this time. A comparison of Maps 4 and 6 of the *Atlas of Railway Traffic Maps* will disclose many instances of this kind. Evansville, Ind., is in the 110 per cent group under the westbound adjustment and in the 105 per cent group under the eastbound adjustment. Findlay, Ohio, is in 80 per cent territory on westbound and 79 per cent territory in eastbound. Consequently, the respective maps should be referred to in each instance to determine accurately the group location of the point of destination or the point of origin involved.

As Chicago, Ill., however, is in the 100 per cent group on both Maps 4 and 6, it is natural to find that the rates via the standard all-rail routes in both directions are the same on classified freight, the current rates being as follows:

Classes	1	2	R25	3	R26	R28	4	5	6
Rates	90	79	67	60	48	48.5	42	36	30

To illustrate how these rates are used as the basis or basing rates on which the class rates are constructed to

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points other than Chicago (and those in the 100 per cent group), the following examples are given:

Indianapolis, Ind., is shown on Map 4 of the *Atlas of Railway Traffic Maps*, in a group designated by the numeral 93, which indicates that points in this group take 93 per cent of the New York-Chicago rates, and applying this percentage to the above-mentioned scale, the following rates are obtained:

Classes	1	2	3	4	5	6
Rates	83.70	73.47	55.80	39.06	33.48	27.90

Under the application of the rule for the disposition of fractions, those of less than $\frac{1}{4}$ or .25 of a cent omit. Fractions of $\frac{1}{4}$ or .25 or greater, but less than $\frac{3}{4}$ or .75, state as $\frac{1}{2}$ or .5 of a cent. Fractions of $\frac{3}{4}$ or .75 of a cent or greater, increase to the next whole figure.

Classes	1	2	3	4	5	6
Rates	83.5	73.5	56	39	33.5	28

As the irregular classes, namely, Rule 25, Rule 26, and Rule 28, are predicated on the regular classes, they cannot be constructed by taking the required percentage of the Chicago rates for the irregular classes, but must be constructed with reference to the regular classes established to the group points. For example, the second-class rate to Indianapolis is shown as 73.5 cents, and as Rule 25 is made 15 per cent less than the second-class rate, by deducting 15 per cent of this amount, which is 11 cents, we obtain 62.5 cents, or 62.5 cents, as the Rule-25 class rate, New York to Indianapolis. Similarly, were it desired to construct the rate on Rule 26, we would deduct 20 per cent of the third-class rate (or 11 cents) from the third-class rate of 56 cents, obtaining 44.8 cents as the result, which is the Rule-26 class rate, New York to Indianapolis.

The class rate for Rule 28 is based upon the existing difference between the third-class and fourth-class rates

established to the points in question. In this instance, as this difference amounts to 17 cents according to the figures set forth in Table 4, 5.95 cents, or 6 cents, is added to the fourth-class rate, making the rate 45 cents.

Following the procedure outlined above, it is possible to construct the rates from New York to any point in the percentage groups. The computations may be readily proved by comparing them with the new York percentage-group class rates shown in Table 17 which are reproduced from tariff publications of the carriers.

TABLE 17®

CLASS RATES FROM NEW YORK, N. Y., VIA STANDARD ALL-RAIL ROUTES TO PERCENTAGE GROUPS SHOWN ON MAP 4

To PERCENTAGE GROUPS	Classes								
	RATES IN CENTS PER 100 POUNDS								
	1	2	3	4	5	6	R25	R26	R28
66½	60	52½	40	28	24	20	44½	32	32
67	60½	53	40	28	24	20	45	32	32
68	61	53½	41	28½	24½	20½	45½	33	33
69	62	54½	41½	29	25	20½	46½	33	33½
70	63	55½	42	29½	25	21	47	33½	34
71	64	56	42½	30	25½	21½	47½	34	34½
72	65	57	43	30	26	21½	48½	34½	34½
73	65½	57½	44	30½	26½	22	49	35	35
74	66½	58½	44½	31	26½	22	49½	35½	35½
75	67½	59½	45	31½	27	22½	50½	36	36
76	68½	60	45½	32	27½	23	51	36½	36½
77	69½	61	46	32½	27½	23	52	37	37
78	70	61½	47	33	28	23½	52½	37½	38
79	71	62½	47½	33	28½	23½	53	38	38
80	72	63	48	33½	29	24	53½	38½	38½
81	73	64	48½	34	29	24½	54½	39	39
82	74	65	49	34½	29½	24½	55½	39	39½
83	74½	65½	50	35	30	25	55½	40	40½
84	75½	66½	50½	35½	30	25	56½	40½	41
85	76½	67	51	35½	30½	25½	57½	41	41
86	77½	68	51½	36	31	26	58	41	41½
87	78½	68½	52	36½	31½	26	58	41½	42
88	79	69½	53	37	31½	26½	59	42½	42½
89	80	70½	53½	37½	32	26½	60	43	43
90	81	71	54	38	32½	27	60½	43	43½
91	82	72	54½	38	33	27½	61	43½	44
92	83	72½	55	38½	33	27½	61½	44	44½
93	83½	73½	56	39	33½	28	62½	45	45
94	84½	74½	56½	39½	34	28	63½	45	45½
95	85½	75	57	40	34	28½	64	45½	46
96	86½	76	57½	40½	34½	29	64½	46	46½

TABLE 17—Continued

CLASS RATES FROM NEW YORK, N. Y., VIA STANDARD ALL-RAIL
ROUTES TO PERCENTAGE GROUPS SHOWN ON MAP 4

To PERCENTAGE GROUPS	Classes								
	RATES IN CENTS PER 100 POUNDS								
	1	2	3	4	5	6	R25	R26	R28
97.....	87½	76½	58	40½	35	29	65	46½	46½
98.....	88	77½	59	41	35½	29½	66	47	47½
99.....	89	78	59½	41½	35½	29½	66½	47½	48
100.....	90	79	60	42	36	30	67	48	48½
101.....	91	80	60½	42½	36½	30½	68	48½	49
102.....	92	80½	61	43	36½	30½	68½	49	49½
103.....	92½	81½	62	43½	37	31	69½	49½	50
104.....	93½	82	62½	43½	37½	31	69½	50	50
105.....	94½	83	63	44	38	31½	70½	50½	50½
106.....	95½	83½	63½	44½	38	32	71	51	51
107.....	96½	84½	64	45	38½	32	72	51	51½
108.....	97	85½	65	45½	39	32½	72½	52	52½
109.....	98	86	65½	46	39	32½	73	52½	53
110.....	99	87	66	46	39½	33	74	53	53
111.....	100	87½	66½	46½	40	33½	74½	53	53½
112.....	101	88½	67	47	40½	33½	75	53½	54
113.....	101½	89½	68	47½	40½	34	76	54½	54½
114.....	102½	90	68½	48	41	34	76½	55	55
115.....	103½	91	69	48½	41½	34½	77½	55	55½
116.....	104½	91½	69½	48½	42	35	78	55½	56
117.....	105½	92½	70	49	42	35	78½	56	56½
118.....	106	93	71	49½	42½	35½	79	57	57
119.....	107	94	71½	50	43	35½	80	57	57½
120.....	108	95	72	50½	43	36	80½	57½	58

①Reproduced from N. Y. C. R. R. I. C. C. N. Y. C. No. 4809

(b) Commodity Rates

The commodity-rate adjustment very closely follows that employed in establishing the class rates. There is, however, this distinction to be observed, that while some commodities have what is known as a general authorization applying from all of the eastern base points to all of the western percentage groups, other commodities are specifically authorized, and the rates thereon, known as specific commodity rates, apply only from and to specified points of origin and destination. Although both may be made under the percentage principle, the former

class takes in such articles as are not peculiar to any one given point but are produced in considerable quantities throughout the territory, such as sandstone, lime, manufactured iron, and cement, of which it may be reasonably supposed there is a movement from and to all points, while the latter class takes in such articles as may be produced or manufactured in one locality, or which move from one or more of the seaboard cities, such as charcoal, electrical machinery, or import traffic. For example, considerable quantities of coffee might be imported through the north Atlantic ports as well as minerals, chemicals, and other commodities not common to this country. As they would unquestionably move from port of entry to final destination, there is no necessity for publishing a rate on carload shipments of coffee from such interior points as Ogdensburg, New Berlin, and Rochester, N. Y., Scranton, Pa., or others. Charcoal is manufactured and shipped from Rochester, N. Y. Consequently, we find in the publications of the carriers that these rates are authorized to apply only from specified points of origin and in some cases to specified destinations.

Where a commodity has a general authorization, however, it is scaled in accordance with the percentage principle announced in connection with the class rates. The same process is generally employed on low-grade commodities or on highly competitive articles with the reservation that in some cases fractions are not perpetuated and frequently minimum rates are established which defeat the application of the percentage basis in so far as some few points may be concerned.

The rates from New York and New York rate points to western percentage groups on ten selected commodities are reproduced in Table 18.

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TABLE 180

COMMODITY RATES FOR 10 COMMODITIES IN CARLOADS FROM
 NEW YORK RATE POINTS TO PERCENTAGE GROUPS 60-120
 RATES IN CENTS PER 100 POUNDS, UNLESS OTHERWISE SPECIFIED.

PERCENTAGE GROUPS	Pig Lead	Brimstone	Clay	Woods of Value	Ammunition (Fixed)	Cordage	Oysters in Shells	Bags, New Cotton	Pig Iron (1)	Axes, Car, Old (2)
60.....	15.5	15	17	21.5	25	21.5	34	36	\$3.10	\$3.20
67.....	15.5	17	19.5	21.5	25	24	34	38.5	3.90	4.00
70.....	15.5	18	19.5	21.5	25	25	34	38.5	4.00	4.20
71.....	15.5	18	19.5	21.5	25	25.5	34	38.5	4.10	4.30
72.....	16	19.5	19.5	21.5	25	26	34.5	39	4.10	4.30
73.....	16	19.5	19.5	22	25	26.5	35	40	4.20	4.40
74.....	16.5	19.5	19.5	22	25	26.5	35.5	40.5	4.30	4.40
75.....	16.5	19.5	19.5	22.5	25	27	36	41	4.30	4.50
76.....	16.5	19.5	19.5	23	25	27.5	36.5	41.5	4.40	4.60
77.....	17	19.5	19.5	23	25	27.5	37	42	4.40	4.60
78.....	17	19.5	19.5	23.5	25	28	37.5	42.5	4.50	4.70
79.....	17.5	19.5	19.5	23.5	25	28.5	38	43	4.50	4.70
80.....	17.5	19.5	19.5	24	25	29	38.5	43.5	4.60	4.80
81.....	18	19.5	19.5	24.5	25	29	39	44	4.70	4.90
82.....	18	19.5	19.5	24.5	25.5	29.5	39	44.5	4.70	4.90
83.....	18.5	19.5	20	25	25.5	30	40	45	4.80	5.00
84.....	18.5	19.5	20	25	26	30	40.5	46	4.80	5.00
85.....	18.5	19.5	20.5	25.5	26.5	30.5	41	46.5	4.90	5.10
86.....	19	20	20.5	26	26.5	31	41	47	4.90	5.20
87.....	19	20	21	26	27	31.5	41.5	47.5	5.00	5.20
88.....	19.5	20	26	26.5	27.5	31.5	42.5	48	5.10	5.30
89.....	19.5	20.5	21	26.5	27.5	32	43	48.5	5.10	5.30
90.....	20	20.5	26	27	28	32.5	43	49	5.20	5.40
91.....	20	21	22	27.5	28	33	43.5	49.5	5.20	5.50
92.....	20	21	22	27.5	28.5	33	44	50	5.30	5.50
93.....	20.5	21.5	22.5	28	29	33.5	45	50.5	5.30	5.60
94.....	20.5	21.5	22.5	28	29	34	45	51	5.40	5.60
95.....	21	22	23	28.5	29.5	34	45.5	52	5.50	5.70
96.....	21	22	23	29	30	34.5	46	52.5	5.50	5.80
97.....	21.5	22.5	23.5	29	30	35	46.5	53	5.60	5.80
98.....	21.5	22.5	23.5	29.5	30.5	35.5	47	53.5	5.60	5.90
99.....	22	23	24	29.5	30.5	35.5	47.5	54	5.70	5.90
100.....	22	23	24	30	31	36	48	54.5	5.75	6.00
101.....	22	23	24	30.5	31.5	36.5	48.5	55	5.80	6.10
102.....	22.5	23.5	24.5	30.5	31.5	36.5	49	55.5	5.90	6.10
103.....	22.5	23.5	24.5	31	32	37	49.5	56	5.90	6.20
104.....	23	24	25	31	32	37.5	50	56.5	6.00	6.20
105.....	23	24	25	31.5	32.5	38	50.5	57	6.00	6.30
106.....	23.5	24.5	25.5	32	33	38	51	58	6.10	6.40
107.....	23.5	24.5	25.5	32	33	38.5	51	58.5	6.20	6.40
108.....	24	25	26	32.5	33.5	39	52	59	6.20	6.50
109.....	24	25	26	32.5	34	39	52.5	59.5	6.30	6.50
110.....	24	25.5	26.5	33	34	39.5	53	60	6.30	6.60
111.....	24.5	25.5	26.5	33.5	34.5	40	53	60.5	6.40	6.70
112.....	24.5	26	27	33.5	34.5	40.5	53.5	61	6.40	6.70

TABLE 180—Continued

COMMODITY RATES FOR 10 COMMODITIES IN CARLOADS FROM
 NEW YORK RATE POINTS TO PERCENTAGE GROUPS 60-120
 RATES IN CENTS PER 100 POUNDS, UNLESS OTHERWISE SPECIFIED

PERCENTAGE GROUPS	Pig Lead	Brimstone	Clay	Woods of Value	Ammunition (Fixed)	Cordage	Oysters in Shells	Bags, New Cotton	Pig Iron②	Axes, Car, Old②
113.....	25	26	27	34	35	40.5	54.5	61.5	6.50	6.80
114.....	25	26	27.5	34	35.5	41	55	62	6.60	6.80
115.....	25.5	26.5	27.5	34.5	35.5	41.5	55	62.5	6.60	6.90
116.....	25.5	26.5	28	35	36	42	55.5	63	6.70	7.00
117.....	25.5	27	28	35	36.5	42	56	64	6.70	7.00
118.....	26	27	28.5	35.5	36.5	42.5	57	64.5	6.80	7.10
119.....	26	27.5	28.5	35.5	37	43	57	65	6.80	7.10
120.....	26.5	27.5	29	36	37	43	57.5	65.5	6.90	7.20

① Check with N. Y. C. R. R. Tariff 6457 effective May 15, 1918.

② Per ton of 2240 lbs.

From the foregoing, it may be observed that in all cases the rates as indicated are not a corresponding percentage of the base rates to Chicago. The rate on pig lead from New York to Chicago is given as 19 cents. Sixty per cent of this amount would be 11.4 cents, but, as disclosed by the table, the rate established to the 60 per cent group on this commodity is 13.1 cents. This procedure is necessary because a strict application of the percentage principles for such low-grade commodities as cement, pig lead, brimstone, etc., to short-haul points would result in a rate which would hardly cover the expense of transportation. Consequently, it will be found that in connection with many commodities moving to the 60 per cent group, minimum rate requirements are provided. These requirements are designed to insure to the carrier adequate return for the service rendered, considering all destinations in the group. For example, while 11.4 cents might yield an adequate return as applied to points immediately west of Buffalo, to points

in the western extremity of the 60 per cent group, such as Erie, Pa., Wheeling, W. Va., and Meadville, Pa., etc., the rate would not yield its proper proportion of transportation revenue.

So we find, in connection with this table, that a special basis has been authorized to apply in connection with the rates applying on pig lead, brimstone, and fixed ammunition.

In its decision in the so-called "Five-Per-Cent Case," the Interstate Commerce Commission held that where rates had been increased since July 29, 1914, such rates were not to be increased again so as to exceed those in effect on that date by an aggregate of more than 5 per cent. The rates on pig lead, brimstone, and fixed ammunition were increased, effective during December, 1914, so that with the exception of certain of the rates on brimstone, which situation is explained herein, no advances were made in the rates on these commodities. The rule for the disposition of fractions where no increases were made is as follows: fractions of one-half cent and over are computed as whole numbers and fractions of less than one-half cent are disregarded.

On brimstone a basing rate of 23 cents from New York to Chicago is used, subject to the following minimum rates from New York:

Points taking over 71 per cent.....	17 cents
Points taking 70 and 71 per cent	16 cents
Points taking 67 per cent.....	15 cents
Points taking 60 per cent.....	13 cents

On fixed ammunition, that is, cartridges, paper or metallic shells, a base rate of 31 cents from New York to Chicago is used, observing the rates established to the 80 per cent group as minimum rates to all points taking less than 80 per cent.

The rate on pig lead is established on a basing rate of 22 cents from New York to Chicago, subject to the rate to 71 per cent group points as minimum to points east of the 71 per cent group. The 22-cent basis represents more than 5 per cent increase over the former basing rate of 19 cents so that it was not possible to increase the basing rate under the decision of the Commission. The former basing rate of 19 cents increased 5 per cent, yields a basing rate of 20 cents. Under this basing rate, 71 per cent group points would take a rate of 14.2 cents. This method of figuring was used by the carriers in fixing the rate to 71 per cent group points, which figure is used as a minimum to points east thereof.

The greater portion of the deviations from the authorized percentage principle of establishing rates will be found in the eastern percentage groups. In many cases, to the Western Termini Points proper, the percentage principle is disregarded entirely. Buffalo, N. Y., while shown in the 60 per cent group in the *Atlas of Railway Traffic Maps* is not always so regarded as it is so situated with respect to water competition to and from the seaboard by way of the Erie Canal and the Hudson River that the rates have been depressed somewhat below the rate obtaining under the percentage adjustment. To influence the movement of some commodities, it is necessary for trunk lines not serving Buffalo to establish the same rates to their western termini, such as Pittsburgh, Pa., Wheeling, W. Va., and Charleston, W. Va., as those made to Buffalo, as the competition for business through these points to and from the west is very keen among these independent systems.

As the distance from the point of origin becomes greater, these exceptions become more rare. The percentage principle is generally adhered to, except perhaps as to such commodities as brimstone, which, on account

of being consumed at few points, is greatly restricted in its movement. The fact that the imported product comes into competition with the domestic product from the Louisiana mines necessitates the blanketing of rates over a larger territory than would obtain were it not for these conditions. Consequently, rather than establish a high rate in the first instance and scale it in accordance with the percentage adjustment, a low rate is established and observed as a minimum throughout a large part of the territory. It will be observed, as far as this commodity is concerned, that 17 cents is held as a minimum rate in a blanket applying from the 72 per cent to the 87 per cent groups, inclusive. By this means the consuming points are placed on a parity with each other on this particular traffic.

It will be observed that the other commodities, however, are scaled on the authorized percentage basis and that the fractions are perpetuated under the rule for the disposition thereof, set forth in connection with the discussion relating to the class rates.

It is possible to take any one of the publications of the carriers in Trunk Line Territory, naming commodity rates from eastern points of origin to western percentage territory, and check the rates published therein from the information set forth in this particular section. An inspection of the rate, whether it carries a fraction or not, will indicate whether it is on the old basis or the new, and where it is blanketed or extended over a large area of territory, one may safely infer that the minimum rate is that established to the furthermost percentage group.

And for those who have access to such publications, there is no more convenient method to employ than to take one and compute the rates shown therein on the basis set forth in this chapter.

CHAPTER XI

ALL-RAIL RATES WESTBOUND—Continued

THE ADJUSTMENT OF RATES FROM OTHER EASTERN BASING POINTS

(a) Class Rates

It has been shown how the rates established from New York to Chicago are used in establishing rates from New York to other points in percentage territory. It now becomes necessary to illustrate the application of the New York rates from other eastern points of origin, which are hinged or based on the rates established from New York. In taking up the adjustment, reference should be made to Map 5 of the *Atlas of Railway Traffic Maps*, whereon are indicated the more important of the eastern base points, showing the territory from which the rates are applied. The eastern basing points as indicated thereon are as follows:

Albany, N. Y.	Syracuse, N. Y.	Boston, Mass.
Philadelphia, Pa.	Belington, W. Va.	Ogdensburg, N. Y.
Scranton, Pa.	Lexington, Va.	Rochester, N. Y.
Baltimore, Md.	Richwood, W. Va.	Virginia Cities.
Cumberland, Md.	Williamsport, Pa.	

The last-named group includes, among others, Newport News, Lynchburg, Richmond, and Petersburg, Va.

In addition to these groups, there are a number of other groups indicated by the addition of the word "plus" or the sign "+." For example, rates from Long Island are made certain differentials over the New York rates and this is indicated on the map by the term "New York plus." Also the group immediately

south of New Jersey is marked "New York plus" and for the same reason. There are numerous other groups marked as taking arbitrarities or local rates over the basing groups, sometimes the plus sign being employed instead of the word "plus."

While the greater part of the New England States is shown as taking the Boston adjustment of freight rates, the Boston rates apply in general only from main-line points on the more important systems. Small lines, and branch lines as well, are adjusted on a differential basis, which may be found by adding fixed amounts to the base-point rates, or by the addition of the full local rate.

The main-line stations, however, are accorded the Boston rates, which are blanketed over the entire territory and applied to all points in percentage groups. The rates from Boston (which apply from approximately all main-line points in New England and a considerable number of points in the Dominion of Canada) to percentage points taking 71 per cent of the Chicago rates and higher are identical with the New York rates to the same destinations.

It is common to blanket rates to or from intermediate points, but it is rare to accord the base rates to wide areas *beyond* the basing point, as done in this instance. Blanket rates are usually applied to the intermediate points and not to points beyond. For this reason, the territory covered by the Boston rate group is particularly favored by the application of the New York rates.

The aim of this procedure is apparent, in that manufacturers and merchants located all over New England are placed on a parity with manufacturers and merchants nearer the points of consumption and are enabled thus to market their products at transportation costs not greatly in excess of those applying from many large manufacturing points within Trunk Line Territory.

Indeed, it may be said that at times, especially during

the early days of the development of this rate structure, the carriers serving the seaboard cities in the New England States provided rates to western destinations that were less than those currently maintained from New York, Philadelphia, and other seaboard cities in Trunk Line Territory. Particularly was this true of the Canadian lines operating by way of Portland and through the Dominion of Canada to western United States points (through the Niagara and the Detroit and St. Clair River frontiers). With the fixing of agreed differentials for the respective routes, this feature has been overcome, and now standard all-rail rates from Boston are not lower than the standard all-rail rates from New York; neither are the differential rates of the same kind from Boston less than from New York, although in both instances, the differential rates are less than the standard all-rail rates.

Table 19 has been prepared with a view of setting forth, in a very explicit manner, the general basis for the construction of rates from eastern base points other than New York. The various items comprising the table will now be taken up in order and an illustration given of the application of each.

TABLE 19

I. BASIS OF CLASS RATES FROM THE EASTERN BASING GROUPS
SPECIFIED TO CENTRAL FREIGHT ASSOCIATION TERRITORY

ITEM	FROM EASTERN BASE POINTS	TO PER- CENTAGE GROUPS	IN CENTS PER 100 POUNDS							REMARKS	
			CLASSES								
			1	2	R25	3	R26	4	5	6	
1	Boston, Mass.	Buffalo, N. Y. Erie, Pa. Pitts- burgh, Pa. 60 67 70	5	5	2½	2½	2½	2			Higher than rates from New York to the same points
		71-120	5	4	3.4	3	2.4	3	2.5	2	
			3.1	2.7	2.3	2.1	1.6	1.4	1.3	1.1	New York rates
			0.7	0.7	0.6	0.5	0.4	0.3	0.3	0.3	

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TABLE 19—CONTINUED

I. BASIS OF CLASS RATES FROM THE EASTERN BASING GROUPS
SPECIFIED TO CENTRAL FREIGHT ASSOCIATION TERRITORY

ITEM	FROM EASTERN BASE POINTS	TO PER- CENTAGE GROUPS	IN CENTS PER 100 POUNDS								REMARKS	
			Classes									
			1	2	R25	3	R26	4	5	6		
2	Albany, N. Y.	78-120	60	6	6	5.1	2	1.6	2	2	2	Less than the rates from New York to the same points
			67	11.5	10.8	9.1	5.7	4.6	4.6	4.2	3.8	
			70	6	6	5.1	2	1.6	2	2	2	
			71	14.6	13.5	11.4	7.8	6.2	6	5.5	4.9	
			72	15.4	13.7	11.6	8.3	6.6	6.4	5.8	5.1	
			73	15.8	13.7	11.6	8.8	7.0	6.8	6.1	5.3	
			74	15.8	13.7	11.6	9.4	7.5	7.1	6.3	5.3	
			75	15.8	13.7	11.6	9.9	7.9	7.4	6.3	5.3	
			76	15.8	13.7	11.6	10.4	8.3	7.4	6.3	5.3	
			77	15.8	13.7	11.6	10.5	8.4	7.4	6.3	5.3	
2½	New Berlin, N. Y.	78-120	60									New York rates to the same points less 20% of New York- Chicago rates
			67									
			70									
			71	.4	.2	.0	.3	.0	.4	.0	.2	
			72	1.2	.9	.5	.8	.4	.8	.1	.4	
			73	2	1.6	1.1	1.3	1.8	1.2	.4	.7	
			74	2.8	2.2	1.6	1.9	1.3	1.5	.7	1	
			75	3.6	2.9	2.2	2.4	1.7	1.9	1	1.2	
			76	4.4	3.6	2.8	2.9	2.1	2.3	1.3	1.5	
			77	5.2	4.3	3.4	3.4	2.5	2.6	1.7	1.8	
				6	5	4	4	3	3	2	2	
3	Ogdens- burg, N. Y.	82-120	60	5	4	3.4	3	2.4	3	2.5	2	Higher than New York rates to the same points
			67	0.7	1.5	1.3	1.8	1.4	1	0.5	0.9	
			70					0.2	0.2		.01	
			71	2.4	1.2	1	0.3	0.2	0.4	0.8	0.2	
			72	3.2	1.9	1.6	0.8	0.6	0.8	1.1	0.4	
			73	4	2.6	2.2	1.3	1.0	1.2	1.4	0.7	
			74	4.8	3.2	2.7	1.9	1.3	1.5	1.7	1	
			75	5.6	3.9	3.3	2.4	1.9	1.9	2.0	1.2	
			76	6.4	4.6	3.9	2.9	2.3	2.3	2.3	1.5	
			77	7.2	5.3	4.5	3.4	2.7	2.6	2.7	1.8	
			78	8	6	5.1	4	3.2	3	3	2	
			79	8.8	6.7	5.7	4.5	3.6	3.4	3.3	2.3	
4	Roches- ter, N. Y. Syracuse, N. Y.	72-120	80	9.5	7.3	6.2	5	4	3.7	3.6	2.5	Lower than New York rates to the same points
			81	10	8	6.8	5.5	4.4	4	3.9	2.8	
				10	8	6.8	6	4.8	4	4	3	
			60	9.5	8.4	7.2	7.3	5.6	5.3	4.2	3.2	
			67	15	13.2	11.2	11	8.8	7.9	6.4	5	
			70	10.5	9.1	7.7	7	5.8	4.9	4.2	3.5	
			71	18.1	15.9	13.5	13.1	10.4	9.3	7.7	6.1	
												70% of New York rates

TABLE 19—CONTINUED

I. BASIS OF CLASS RATES FROM THE EASTERN BASING GROUPS SPECIFIED TO CENTRAL FREIGHT ASSOCIATION TERRITORY

ITEM	FROM EASTERN BASE POINTS	TO PER- CENTAGE GROUPS	IN CENTS PER 100 POUNDS						REMARKS	
			Classes							
			1	2	R25①	3	R26①	4	5	6
5	Philadelphia, Pa.	60-120	6	6	2	2	2	2		Lower than New York rates to the same points
6	Baltimore, Md.	60-120	8	8	3	3	3	3	3	Lower than New York rates to the same points
7	Scranton, Pa.	60	48	41.5	34	23	19.5	16		Same rates as from Philadelphia
		67	48.5	42.5	34	27	19.5	16		Arbitrary rates
		70	57	49.5	40	27.5	23	19		80% of rates New York to the same points
8	Williams- port, Pa.	71-120								
		60	46	39.5	33	22	18.5	15		Same rates as from Baltimore
		67	46.5	41	33	22	18.5	15.5		Arbitrary rates
9	Cumber- land, Md.	70	55	47.5	39	23	19.5	16.5		77% of rates New York to the same points
		60②	46	39.5	33	22	18.5	15		Arbitrary rates
		67	46.5	41	33	22	18.5	15.5		
		70	② 55	47.5	39	23	19.5	16.5		Via Wn. Md. Ry. Via B. & O. R. R. Arbitrary rates
		71-120								77% of rates New York to the same points

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TABLE 19—CONTINUED

I. BASIS OF CLASS RATES FROM THE EASTERN BASING GROUPS
SPECIFIED TO CENTRAL FREIGHT ASSOCIATION TERRITORY

ITEM	FROM EASTERN GROUPS	TO PER- CENTAGE GROUPS	IN CENTS PER 100 POUNDS						REMARKS	
			Classes							
			1	2	3	4	5	6		
10	Beling-ton, W. Va. ^④	60-120								
			Cumberland rates but not less than							
			55.5	48.5	37	26	22.5	18.5		
11	Rich-wood, W. Va. ^④	60-120								
			Cumberland rates but not less than							
			60.5	52.5	40	28	24.5	20		
12	Wash-ington, D. C. ^⑤	60-120								
			8	8	3	3	3	3		
			under New York rates but not less than							
			66.5	58	43	29.5	24.5	20		
		95-120								
			8	6	4	3	2	2		
			under Baltimore rates							
		60-94								
			8	6	4	3	2	2		
			under Baltimore rates but not less than							
			the rates shown below (minimum rates)							
		60 and 67								
			66.5	58	43	29.5	24.5	20		
			66	58.5	47	32	27.5	22		
			70-76	66.5	58	43	29.5	24.5	20	
			78	66.5	58	44	30	25	20.5	
			79	66.5	58	44.5	30	25.5	20.5	
13	Virginia Cities	80	66.5	58	45	30.5	26	21		
		81	66.5	58	45.5	31	26	21.5		
		82	66.5	58	46	31.5	26.5	21.5		
		83	66.5	58	46	31.5	27	22		
		84	67.5	58.5	46	31.5	27	22		
		85	67.5	58.5	46	31.5	27.5	22		
		86	67.5	58.5	46	31.5	27.5	22		
		87	67.5	58.5	46	31.5	27.5	22		
		88	67.5	58.5	46	31.5	27.5	22		
		89	67.5	58.5	46.5	31.5	27.5	22		
		90	67.5	58.5	47	32	27.5	22		
		92	67.5	58.5	48	32.5	28	22.5		
		93	67.5	59.5	49	33	28.5	23		
		94	68.5	60.5	49.5	33.5	29	23		

^④For the construction of Rule 25 and Rule 26 rates between the various groups indicated see page 112.

^⑤Except that to Pittsburgh and Wheeling the rates shown in note ④ apply.

^⑥Except that to Parkersburg the rates shown below apply.

Classes.....	1	2	3	4	5	6
Rates.....	43.5	36	28	19.5	17	13.5

^⑦Except that to all points north of Butler, Pa., on B. & L. E. R. R.; all points on D. A. V. & P. R. R.; all points on J. W. & N. W. R. R.; all points northeast of Butler to Mt. Jewett, Pa., on B. & O. R. R.; all points east of Ashtabula, Ohio, on N. Y. C. & St. L. R. R.; all points east of Youngstown, Ohio, and Transfer, Pa., on Erie R. R.; and all points east of the line Ashtabula to Youngstown through Andover, Ohio, on L. S. & M. S. R. R., the following rates apply:

Classes.....	1	2	3	4	5	6
Rates.....	66.5	58	43	29.5	24.5	20

^⑧B. & O. R. R. name Baltimore rates from Washington, without minima. Minimum scale is published by C. & O. Ry.

Boston, Mass.—In item 1, Table 19, it will be observed that the rates from Boston, Mass., and points taking Boston rates to points east of, but not including, the 71 per cent group are made certain figures or differentials (as they are designated) over the rates from New York to the same destinations. These figures express (as far as is possible by means of figures) the relative advantage of the locations of New York and Boston on shipments destined to these points. The addition of these figures or differentials to the rates from New York will give the rates that must be maintained by the initial lines in constructing their freight publications which name rates from Boston, Mass., and other points taking Boston rates. To destinations located west of the points referred to above or to points in percentage groups 71 to 120 inclusive, the rates are the same as apply from New York to the same destinations. While to points located east of the 71 per cent group New York has lower rates, to the territory west thereof the Boston group has the benefit of the same rates as apply from New York.

Albany, N. Y.—The rates from Albany and points taking Albany rates to percentage groups lying east of, and including, the 77 per cent group are fixed with relation to the rates from New York to the same destinations, but the differentials are *under* the rates from New York, whereas it was learned from the preceding paragraph that the rates from Boston, Mass., to points east of, but not including, the 71 per cent group are certain amounts *over* the rates from New York. Albany and many of the points of origin taking Albany rates are located close to the head of, or are reached by, the Erie Canal. These points are very much less important from a traffic standpoint than New York and Boston but are given rates which are lower than those in effect from either New York or Boston to the same destinations and which

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enable this group of points to compete on equitable terms with the two larger cities named. This indicates, in some degree, the advantage of the Erie Canal as a medium for compelling lower rates.

To percentage territories lying west of the 77 per cent group, the percentage principle is applied in constructing the rates from Albany, it being first necessary to construct the rates from New York to the desired percentage group. Assuming that it is desired to construct rates to the 110 per cent group, we would obtain as the rates from New York to the 110 per cent group the following figures:

Classes	1	2	3	4	5	6
Rates	99	87	66	46	42.5	38

from which is to be deducted 20 per cent of the New York-Chicago rate, as provided in Table 19, which is as follows:

Classes	1	2	3	4	5	6
Rates	18	16	12	8.5	7	6

This results in a scale of rates as follows:

Classes	1	2	3	4	5	6
Rates	81	71	54	37.5	35.5	27

Representative rates from Albany to other percentage groups are as follows:

Classes	1	2	3	4	5	6
71% group rates.	48	41.5	34	23	19.5	16
80% group rates.	54	47	36	26.5	22	18
87% group rates.	63	53	41.5	31.5	24.5	20
117% group rates.	87.5	76.5	58	44	35	29

New Berlin, N. Y.—The location of this group will indicate that to short-haul points the distance does not materially differ from that from the New York group. To percentage points including the 60 to the 67 per

cent groups, the rates are made the same as from New York.

To the other percentage groups, in order to avoid abrupt increases or decreases in rates, certain differential or arbitrary scales have been established, under which the rates are constructed from New Berlin and points taking the same rates. It will be observed that as the distance becomes greater and greater, the arbitrary scale increases. That is, while only four-tenths of one cent is subtracted from the New York rate in making the first-class rate to the 71 per cent group, the deduction to the 78 per cent group is 6 cents.

Representative rates from this group to western percentage groups are as follows:

Classes	1	2	3	4	5	6
71% group rates..	64	56.5	43	30	26	21.5
80% group rates..	66	58	44	30.5	27	22
97% group rates..	81.5	71.5	54	37.5	33	27

In connection with this adjustment, it must be noted that it is not observed in all cases by all lines. For example, the New York, Ontario and Western Railway in establishing rates from New Berlin and points taking the same rates employs the New York rates with certain exceptions and restrictions.

Ogdensburg, N. Y.—In this case, we have an adjustment of rates where, to the short-haul points, the rates are made by the *addition* of arbitraries to the New York rates, and to the long-haul points, by the *deduction* of arbitrary scales from the New York rates.

Representative rates to some of the groups obtained under this scale are as follows:

Classes	1	2	3	4	5	6
78% group rates.	62	55.5	43	30	25	21.5
85% group rates.	66.5	59	45	31.5	26.5	22.5
97% group rates.	77.5	68.5	52	36.5	31	26
117% group rates.	95.5	84.5	64	45	38	32

Rochester-Syracuse, N. Y., and Points Taking the Same Rates.—In this case, as was the case with respect to the construction of rates from Albany to short-haul points, we have an arbitrary adjustment (providing for the deduction of certain arbitrary scales from the New York rates) and to other points, the application of a fixed percentage. The application of the percentage principle in this instance is quite simple, and no illustration is required. Representative rates obtained under the existing adjustment are indicated below:

Classes	1	2	3	4	5	6
71% group rates.	43.5	37.5	28	19.5	17	14.5
83% group rates.	52	46	35	24.5	21	17.5
100% group rates.	63	55.5	42	29.5	25	21
116% group rates.	73	46	48.5	34.5	29.5	24.5

Philadelphia, Pa., Baltimore, Md., and Points Taking the Same Rates.—The adjustment of rates from both Philadelphia and Baltimore is quite simple, owing to the fixed differentials that have been conceded these ports and related points under the existing rates established from New York. The purpose of the differentials is to equalize the competition of the stronger port of New York, and to enable Philadelphia and Baltimore to attract a portion of the vast tonnage which moves through the Atlantic Ports to and from foreign countries. It is not unlikely, at least it has been so alleged, that were this not the case, New York by reason of superior advantages, more frequent sailings, etc., would attract a greater portion of this traffic in a short time. While this may be open to question, it is the principle under which these differentials have been established.

It will be noted that these differentials do not fluctuate as do the arbitrary scales mentioned in the preceding adjustment. That is, the first-class rate from Phila-

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3. Examination—Section A.

in cases like this is due to peculiar traffic conditions which cause the carriers to depart from the usual basis.

To points in percentage groups 71 to 120, inclusive, the Scranton rates are made 80 per cent of the existing New York rate to the same group. Rates to selected groups are as follows:

Classes	1	2	3	4	5	6
71% group rates.	51	45	34	24	20.5	17
78% group rates.	56	49	37.5	26.5	22.5	19
90% group rates.	65	57	43	30.5	26	21.5
110% group rates.	79	69.5	53	37	31.5	26.5

Williamsport, Pa., and Points Taking the Same Rates.—As shown in item 8 of Table 19, the rate from Williamsport, Pa., to the 60 per cent group, is the same as from Baltimore, but to both the 67 and 70 per cent groups, rates are arbitrarily established on a 40.7-cent and a 44.7-cent scale, respectively. From Williamsport to percentage groups 71 to 120, inclusive, the rates are made 77 per cent of the rates from New York to the same destinations, from which it will be seen that from both the Scranton group and the Williamsport group to the percentage groups above named, the rates are the result of the application of a double percentage system. The rates from New York to the percentage groups are a percentage of the New York-Chicago rates; the rates from Scranton to these percentage groups are a percentage of the New York rates to the same destinations.

Representative rates obtained under the application of this adjustment yield the following figures to the percentage groups designated below:

Classes	1	2	3	4	5	6
71% group rates.	49.5	43	33	23	19.5	16.5
88% group rates.	57.5	50.5	38.5	27	23	19.5
87% group rates.	60.5	52.5	40	28	24.5	20
93% group rates.	64.5	56.5	43	30	26	21.5
120% group rates.	83	73	55.5	39	33	27.5

Cumberland, Md., and Points Taking the Same Rates.—This adjustment does not differ materially from that employed in establishing rates from Williamsport, Pa., with the exception that the arbitrary scales agreed upon by the interested carriers vary, in some instances, in so far as the rates to the 60, 67, and 70 per cent groups are concerned. The rates to points in the remainder of percentage territory are the same as those established from Williamsport, which are made on the basis of 77 per cent of the New York rates to the same point of destination.

Belington, W. Va., Richwood, W. Va., and Points Taking the Same Rates.—The adjustment employed in establishing rates from Cumberland is also applied in establishing class rates from Richwood and Belington, W. Va., and points taking the same rates, with the proviso that the rates so established must not yield from Belington less than the following scale:

Classes	1	2	3	4	5	6
Rates	55.5	48.5	37	26	22.5	18.5

and from Richwood less than the following scale:

Classes	1	2	3	4	5	6
Rates	60.5	52.5	40	28	24.5	20

These rates are to be observed as minimum rates to points in percentage territory on traffic originating at these points, or points taking the same rates, or in establishing rates from points basing thereon. Of course, as the distance becomes greater or as the rate progresses through the territory, the rates obtained under the application of the percentage principle, in all cases, exceed the minimum scales. It is necessary to observe them only in so far as the short-haul traffic is concerned.

Washington, D. C.—It may be stated, as a general proposition, that the rates or basis for rates to be

applied in connection with traffic originating at the national capital and related points is the same as employed from Baltimore, Md., to the same destinations, with the exception that minimum rates based on a first-class 57.7-cent scale are to be observed. This minimum, in general however, affects only the territory lying east of, but not including, the 80 per cent group.¹

Virginia Cities.—A great deal of traffic, which finds a ready market in the northern and western cities in Official Classification Territory, originates south of the Virginia-North Carolina state line in the Piedmont plateau. The lines serving these Virginia Cities, which are virtually the gateways to the south through which traffic moves to final destinations, are in competition with other lines and connections operating through Ohio River Crossings. Consequently, we find that the existing basis for rates (particularly as concerns the more distant percentage groups) is on a very low scale involving the application of a double differential to New York rates in determining the through rates from Virginia Cities to the same groups of destinations. For example, were it desired to construct rates to the 110 per cent group, the Baltimore differentials are first deducted, obtaining the following scale:

Classes	1	2	3	4	5	6
Rates	91	79	63	43	36.5	30

From this scale are then deducted the Virginia Cities' differentials under Baltimore, shown in item 13, of Table 19, obtaining the following scale:

Classes	1	2	3	4	5	6
Rates	83	73	59	40	34.5	28

To points east of, and including, the 94 per cent group,

¹The B. & O. R. R., however, applies the Baltimore rates from Washington without observance of minima rates. The minimum scale is published by the C. & O. Ry.

the same procedure is employed, observing the minima rates which are established to such groups and which are specifically indicated in item 13, Table 19.

As previously intimated, this is, of course, a competitive adjustment, and enables the lines serving such cities to attract to this route considerable tonnage which would, in all probability, move by way of western river crossings or gateways, were some relief not accorded.

Map 5 shows stations Lexington to Winchester, Va., Basic City, Va., to Hagerstown, Md., and Richmond to Alexandria, Va., in the Lexington group. However, on shipments routed northward from Washington, Alexandria, Hagerstown, and Winchester via the trunk lines to percentage territory in the United States, the Baltimore rates apply, but when shipments are routed southward via the Chesapeake & Ohio Railway destined to percentage territory, Washington, Alexandria, Hagerstown, and Winchester are all included in the Lexington group and the Baltimore rates apply subject to the Virginia Cities-Pittsburgh scale as minimum rates. The Lexington rates are the same as the Baltimore rates except where the Virginia Cities-Pittsburgh scale is slightly higher than the Baltimore rates. The Virginia Cities group is also shown on Map 5. Main lines of the Chesapeake & Ohio Railway from Norfolk, Berkley, and Fort Monroe, Va., to Malden, W. Va., via both Staunton and Lynchburg, are included in the Virginia Cities group, also the Norfolk and Western Railway from Norfolk to Roanoke and Salem, Va., inclusive. From all stations on these main lines, the rates from the Virginia Cities are applied.

In connection with the rates to Virginia Cities, it is interesting to note that from stations on the Virginian Railway, lying immediately south of the main line of the Norfolk and Western Railway, the rates to Virginia

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Cities are applied only from Roanoke and Salem on the west, and Suffolk on the east thereof. Stations on the Virginian Railway west of Suffolk and east of Roanoke take arbitraries over the rates to Virginia Cities, governed by the Official Classification and exceptions. Rates from points south of the Virginian Railway to percentage territory shown on Map 4 are made on combination rates through Virginia Gateways or the Ohio River Crossings and are, consequently, materially higher than the remarkably low rates from the Virginia Cities. Points on the Virginian Railway, because of intermediate location, are perhaps justly accorded rates, neither so low as the rates to Virginia Cities nor so high as the rates to points lying farther south.

Map 5 also shows certain points in lines lying between the Lexington groups and between the main lines of the westbound routes to Virginia Cities as taking arbitraries over the Virginia Cities.

The stations lying between the two Lexington groups take either arbitraries or local rates over the Baltimore rates on the north, over the Lexington rates on the east and west, or over the rates from Virginia Cities on the south. The shipments from these interior points are usually made via the route over which the cheapest combination may be obtained. For example, from Manassas, Va., freight may be shipped (1) westward through Front Royal at the Lexington rate, plus the local rates from Manassas to Front Royal, (2) northward through Washington, D. C., at the Baltimore rate, plus the local rates from Manassas to Washington, or (3) southward through Orange, Va., at the rates from Virginia Cities plus the locals from Manassas to Orange. The Manassas freight is likely to move over the route by which the best service is offered or the cheapest combination applies. This is true of all other stations within this group shown on Map 5. Traffic from stations

lying near the Baltimore group would naturally flow through the Baltimore group, while the traffic from stations near the Lexington and Virginia Cities groups would flow through those groups. There are also certain lines between the Norfolk and Western Railway and the northern route of the Chesapeake & Ohio Railway that take arbitrariess over the rates to Virginia Cities. West Point, Va., on the Southern Railway, is shown as taking the rates to and from Virginia Cities, while points between West Point and Richmond take arbitrariess over the rates from Virginia Cities. In studying the Virginia Cities and Lexington groups on Map 5, it should be borne in mind that the rates from Richmond, Doswell, Staunton, Basic City, and Lexington, when shipments are routed northward, are the Lexington rates, but when shipments are routed westward via the Chesapeake & Ohio Railway from these same points to Central Freight Association Territory, the rates are the rates from Virginia Cities. This means that the fourth section of the Act to Regulate Commerce is not violated by the direct routes in this instance. However, it has been shown that the rates via the Virginian Railway do violate the fourth section, in that the rates to Virginia Cities apply from Norfolk, Suffolk, etc., on the east over the Virginian Railway, while the rates from stations between Suffolk and Roanoke are arbitrariess over the rates to Virginia Cities. There are also many departures from fourth section of the Act to Regulate Commerce as concerns rates via circuitous routes from points in Virginia to percentage territory shown on Map 4. It should be remembered, however, that competitive conditions often entirely justify violations of the fourth section, and the Interstate Commerce Commission has repeatedly recognized this fact.

The fourth section of the Act to Regulate Commerce is popularly known as the long-and-short-haul clause of

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the Act. This section provides that it shall be unlawful for any common carrier, subject to the provisions of this Act, to charge or receive any greater compensation in the aggregate for the transportation of passengers or of like kind of property for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance, or to charge any greater compensation as a through route than the aggregate of the intermediate rate.

How class rates are based from the thirteen groups in Trunk Line and New England territories to percentage territory has now been set forth. There are numerous small branch lines within a number of the eastern groups that take arbitraries over the group rates. In such cases, the first letter of the group name is usually used with a plus sign following it to indicate that the group rate, plus either arbitraries or local rates, applies. In some cases the routing of freight affects the rates. For example, in the New York group, northwest of New York, the line of the Ulster & Delaware Railroad is shown as taking either "New York plus" or "Albany plus." New York rates plus arbitraries apply when routed via Kingston, N. Y., and the Albany rates plus arbitraries apply when routed by Oneonta, N. Y.

Not infrequently it happens that certain deliveries at one of the base points may require the addition of arbitraries in determining the through rate. For example, while certain stations on the South Brooklyn Railway are given the benefit of the flat New York rates on traffic to percentage territory, other points located thereon are constructed on an arbitrary basis by the addition of the following figures to the New York rates:

Classes	1	2	3	4	5	6
Rates	5	4	3	2	2	2

To set forth clearly the application of these rates as to whether or not arbitraries are to be employed, the carriers either individually or through their agents issue what are known as bases for rates, or billing instructions. These issues show the various points in the territory on, and reached via, their lines, and the base rates to apply in connection therewith or, where rates are established on an arbitrary adjustment, the arbitraries that are to be added to the indicated base points. While the maps contained in the *Atlas of Railway Traffic Maps* are compiled from reliable and authentic sources, in the event of differences between the maps and publications of the carriers as to a difference in group location, the issue of the carrier, published and filed with the Interstate Commerce Commission must be observed. When such differences occur, the matter should be taken up with the interested line in an endeavor to ascertain if some error has not been made in publishing the adjustment.

CHAPTER XII

ALL-RAIL RATES WESTBOUND—Continued

ADJUSTMENT OF RATES FROM OTHER EASTERN BASE POINTS

(b) Commodity Rates

As concerns the establishment of commodity rates from eastern base points, other than New York, the adjustment, in general, adheres closely to that employed in the establishment of class rates. Before taking up the details to be employed in connection therewith, however, it is well to consider several of the more important rules that are to be applied in connection with the bases.

(1) When a rate per ton is established, on any commodity from New York to Chicago, either locally or as a basis for rates to other western points, and it is provided in connection therewith that a corresponding rate shall apply from other eastern cities, the rate per ton is in all cases used as the basis for computing the rate upon such commodity and not the equivalent rate in cents per hundred pounds.

For example, if we assume that a commodity rate has been established from New York to Chicago on the basis of \$3.20 per ton and its application is extended to apply from other eastern cities, the rate from Albany would be computed on the basis of 80 per cent of \$3.20, which would make the rate from Albany to Chicago \$2.56 per ton.

(2) When a rate per hundred pounds, or per ton is established on any commodity from an interior trunk-line base point (other than points taking Philadelphia or Baltimore rates) to Chicago, and it is provided in connection therewith that corresponding rates shall apply to other western points, such rates are determined by computing the rates per hundred pounds, or per ton on the established percentages shown on Map 4, *Atlas of Railway Traffic Maps*, of the rates from such interior points to Chicago.

For example, assuming a commodity rate has been established from Albany, N. Y., to western points on the basis of 16 cents per hundred pounds, Albany to Chicago, the rates to East St. Louis would be computed on the basis of 117 per cent of 16 cents which would make the rate to East St. Louis 18.7 cents per hundred pounds.

(3) When a rate per hundred pounds, or per ton is established on any commodity from an interior trunk-line point taking Philadelphia or Baltimore rates to Chicago and it is provided in connection therewith that corresponding rates shall apply to other western points, such rates are computed on the basis of the equivalent New York rate per hundred pounds, or per ton.

For example, assuming a commodity rate has been established from Lancaster, Pa. (a Philadelphia rate point), to western points on the basis of 22 cents per hundred pounds, Lancaster to Chicago, to obtain the East St. Louis rate first add 2 cents per hundred pounds (the Philadelphia differential), thus making the equivalent New York rate 24 cents per hundred pounds. Second, determine 117 per cent of 24 cents, which would make the rate, New York to East St. Louis, 28.1 cents per hundred pounds. Then deduct the Philadelphia arbitrary of 2 cents per hundred pounds, and the result is 26.1 cents per hundred pounds, which is the rate from Lancaster to East St. Louis, Ill., on a commodity carry-

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ing a rate, Lancaster, Pa., to Chicago, Ill., of 22 cents per hundred pounds.

In the following table is set forth the basis used by the Eastern Trunk Lines for the construction of rates from eastern base points, other than New York, to various western percentage groups including the so-called "Western Termini of the eastern trunk lines."

TABLE 20

BASIS FOR COMMODITY RATES FROM GROUPS IN TRUNK LINE AND
NEW ENGLAND TERRITORIES TO CENTRAL FREIGHT
ASSOCIATION TERRITORY

ITEM	FROM EASTERN GROUPS	TO PERCENTAGE GROUPS	RATE BASIS FOR COMMODITIES
1	Boston, Mass.	Trunk Lines' West- ern Termini and 60% points	When commodity rates from New York are the same as standard class rates from the same point, rates upon the same commodities from Boston, Mass., and New England points taking Boston rates are made by adding to the published commodity rates from New York the same amount as the figure of the difference between the standard class rate from New York and the corresponding class rate from Boston to the same destinations. (Table 19, item 1.)
			When commodity rates from New York are not the same as standard class rates from that point, rates upon the same commodities from Boston, Mass., and New England points taking Boston rates are made by adding to the published commodity rates from New York the same amount as the figure of the difference between the class rate next higher than the commodity rate applicable from New York and the corresponding class rate from Boston to the same destinations. (Table 19, item 1.)
			67-71 Same rates as from New York to 71% points but not less than from Boston to 60% points.
			72-120 New York rates but not less than from Boston to 60% group.
2	Albany, N. Y.	60-120	80% of rates from New York to Chicago and other 100% points. To other points rates are scaled on the basis of the established percentage of the rate from Albany to Chicago, except that to the nearer percentage groups certain minima are observed.

TABLE 20—CONTINUED

BASIS FOR COMMODITY RATES FROM GROUPS IN TRUNK LINE AND
NEW ENGLAND TERRITORIES TO CENTRAL FREIGHT
ASSOCIATION TERRITORY

ITEM	FROM EASTERN GROUPS	To PERCENTAGE GROUPS	RATE BASIS FOR COMMODITIES
3	New Berlin, N. Y.	60-77	Varying amounts under the rates from New York, with no uniformity for one commodity as compared with all the others. Rates from D. L. & W. R. R. points taking New Berlin group rates are generally higher than rates on same commodities via N. Y. O. & W. Ry., i. e., New York rates, net, are used to a greater extent by the D. L. & W. R. R., and, when less than New York basis is published by that company, the arbitraries are smaller than the amounts below New York rates published by the N. Y. O. & W. Ry.
		100	Less than rates from New York ^{1 2} Classes 1 2 3 4 5 6 Differentials . . . 6 5 4 3 2 2
		78-120 (except 100)	Percentages shown in groups on Map 4 of New Berlin-Chicago rates N. Y. O. & W. Ry.—2 cents per 100 pounds under rates on same commodities from New York. There are instances in which rates are 3 cents under New York, namely, gum, pontianic, and licorice root. D. L. & W. R. R.—For more than half the number of commodities which are given a general application of rates to western points, the arbitrary is 2 cents. For the remaining commodities, the arbitrary is 1 cent per 100 pounds.
4	Malone- Ogdens- burg, N. Y.	60 67-77 100 78-120 (except 100)	No fixed basis for all commodities. Rates for each commodity are made with some relationship to rates from New York, but the relationship is not uniform. For example: 1. On Starch from Malone, the rates are 3 cents under New York rates, with rate to 82% group as minimum to percentage groups east, except to 60% group, which is lower. 2. On scrap iron and scrap steel from Ogdensburg, rates are on the same basis. 3. On old car wheels and axles from Ogdensburg, rates are 1 cent under New York rates, with rate to 78% group as minimum to percentage groups east to, and including 74% group. To each of the remaining groups east, a different rate is announced, with no apparent relationship to New York rates. 4. On clay and talc from certain points in the

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TABLE 20—CONTINUED

BASIS FOR COMMODITY RATES FROM GROUPS IN TRUNK LINE AND
NEW ENGLAND TERRITORIES TO CENTRAL FREIGHT
ASSOCIATION TERRITORY

ITEM	FROM EASTERN GROUPS	TO PERCENTAGE GROUPS	RATE BASIS FOR COMMODITIES
4	Malone- Ogdens- burg, N. Y.	60 67-77 100 78-120 (except 100)	Ogdensburg group, rates are 1 cent under New York rates, with rate to 80% group (on basis of 80% of rate from New York to Chicago minus 1 cent) as minimum to all percentage groups east. 5. On wet wood pulp from Malone and Ogdensburg, rates are 73% of New York rates, with rate of 81% group (on basis of 73% of rate from New York to that group) as minimum to all percentage groups east. 6. On ferro-manganese from Ogdensburg, rate to 100% group is 3 cents under New York rate, and rates to all groups east are scaled on the percentage applicable thereto, furnishing one of the very few instances in which the percentage system is consistently applied west-bound.
5	Roches- ter- Syracuse, N. Y.	60-120	70% of rates from New York to Chicago and other 100% points. To other points rates are scaled on the established percentage basis of the rate from Syracuse and Rochester to Chicago.
6	Philadel- phia- Balti- more	60-120	Following differentials less than from New York to same groups ⁴ Classes 1 2 3 4 5 6 Differentials 6 6 2 2 2 2 Differentials 8 8 3 3 3 3
7	Scranton, Pa.	60 67-120	Same rates as from Philadelphia ⁴ 80% of rates from New York to Chicago and other 100% points. To other points rates are scaled on the established percentage basis of the rate from Scranton to Chicago but not less than from Philadelphia to 60% group. In many instances minima rates are observed to groups 67% to and beyond 71%.
8	Wil- liams- port, Pa.	60 67-120	Same rates as from Baltimore 77% of rates from New York to Chicago and 100% points. To other points rates are scaled on the established percentage basis of the rate from Williamsport to Chicago but not less than from Baltimore to 60% group. In many instances minima rates are observed to groups 67% to and beyond 71%.

TABLE 20—CONTINUED

BASIS FOR COMMODITY RATES FROM GROUPS IN TRUNK LINE AND
 NEW ENGLAND TERRITORIES TO CENTRAL FREIGHT
 ASSOCIATION TERRITORY

ITEM	FROM EASTERN GROUPS	TO PERCENTAGE GROUPS	RATE BASIS FOR COMMODITIES
	Cumber- land, Md.	60-120	77% of rates from New York to Chicago and 100% points. To other points rates are scaled on the established percentage basis of the rates from Cumberland to Chicago but not less than from Baltimore to 60% group when routed via Pennsylvania Railroad.
10	Beling- ton, W. Va. Rich- wood, W. Va.	60-120	In general on Cumberland basis subject to various minima, but a number of exceptions are applied
11	Lexing- ton, Va.	60-120	General commodity rates are on the same basis as Baltimore rates but not less than the commodity rates from the Virginia Cities to Pittsburgh ¹ .
12	Virginia Cities	60-120	Baltimore commodity rates subject to varying minima ²

¹When a commodity rate from New York to any group is the same as a standard class rate, the differential under or over the New York rate for the class rate is applied to the commodity rate; when a commodity rate is not the same, the differential for the next higher class is applied.

²In connection with westbound commodity rates upon a lower basis than that of the sixth class (i. e., 26.3 cents per 100 pounds, New York to Chicago), the sixth-class differential of 2 cents is usually applied.

The differential for rates per ton, net or gross, is 20 times the differential per 100 pounds.

The same commodity rates are applied on traffic from New York, Philadelphia, Baltimore, and points taking same rates to Buffalo and points taking Buffalo rates as are duly established upon like traffic from Philadelphia to Erie, Pa., except as may be otherwise provided.

On some commodities (cordage, barb wire, etc.) Scranton is accorded a lower rate than Philadelphia.

Rates on various commodities from Lexington and the Virginia Cities are not made according to the general basis for commodity rates.

A comparison of many of the items in this table with those appearing in Table 19 will show that they are on the same basis as shown in connection with traffic under the class-rate adjustment.

In explanation of this basis for rate construction, we will follow the plan outlined in connection with the class-rate adjustment, and individual items comprising the table will be taken up in their order.

Boston, Mass., and Points Taking the Same Rates.—

It will be noted that from item 1, in so far as the Western Termini Points and points in the 60 per cent group are concerned, that the same arbitrarities that were employed in the class-rate adjustment are to be used in connection with the commodity rates, observing the following rules for the application of these arbitrarities.

(1) When commodity rates from New York are the same as standard class rates from the same point, the rates upon the same commodities from Boston, Mass., and points in New England Territory taking Boston rates are made by adding to the published commodity rates from New York the same amount as the figure of the difference between the standard class rates from New York and the corresponding class rate from Boston to the same destination.

For example, when a commodity rate is shown from New York to Chicago as $31\frac{1}{2}$ cents, this is the same as the fifth-class rate. Consequently, in establishing the rates from Boston to points in the 60 per cent group, the fifth-class differential indicating the existing difference between the Boston rates and New York rates for this group is added to the existing New York 60 per cent commodity rate, resulting in a rate from Boston of 21.4 cents per hundred pounds.

(2) When a commodity rate from New York is not the same as the standard class rate from that point, rates upon the same commodity from Boston, Mass., and points in New England taking Boston rates are made by adding to the published commodity rates from New York the same amount as the figure of the difference between the class rate next higher than the commodity rate applicable from New York and the corresponding class rate from Boston to the same destination.

Through the remainder of the territory the New

York rates are applied from Boston without the addition of arbitrariness, preserving from groups numbered 67 per cent to 71 per cent, inclusive, rates established from New York to the 71 per cent group as maxima. To illustrate, take the rate on new cotton bags, which is shown to be on a basis of 47.3 cents per hundred weight, New York to Chicago. To 71 per cent group points the rates from New York would be 33.6 cents per hundred pounds. The proviso is embodied in this item, however, that this rate is not to be less than that which is established from Boston to the 60 per cent group. Where it becomes necessary to construct the rate from Boston in order to determine whether or not the New York rate to the 71 per cent group is above or below the minimum required, the following procedure is employed. Assume a base rate of 47.3 cents per hundred pounds, New York to Chicago. As this is not the same as any of the existing class rates, the differential applying in connection with the next higher class rate is employed. The addition of the third-class differential of 3 cents to the 60 per cent group rate of 28.4 cents produces 31.4 cents as the rate from Boston to the 60 per cent group. As the figures obtained in the application of item 1 to the rates from New York to the 71 per cent group exceed this amount, the minimum is of no importance in so far as this particular commodity and group is concerned.

BASES FOR RATES FROM INTERIOR GROUPS

Before going into detailed explanation of the bases for rates to western points from the Albany, Rochester, Syracuse, Scranton, Williamsport, Cumberland, and Lexington groups, it should be stated (and the student should make careful note of the fact) that the rates are not made strictly on the percentage basis for each percentage group of western destinations. The system

is not rigidly followed, as is the case with eastbound rates, but, according to the peculiar necessities of each commodity, exceptions are made in the shape of *minimum* rates, which means the blanketing of many percentage groups with the rate to a certain farther-distant group.

The items in Table 20 are modeled on the announcement of the bases as made through the medium of circular letters of the associations of interested roads. For example, the bases for rates from Albany and Syracuse are given in Table 20 exactly as announced in Trunk Line Association Freight Committee Circular Letter No. A-424, dated January 23, 1903. But, when the offices of the same association announce the intention of the interested lines individually to issue tariffs that will establish a new or revised basis for rates on any commodity, such a basis is outlined as follows:

On bagging, burlap or gunny, in carloads,
From eastern points to western points,

On a basis of 26.3 cents per 100 pounds, New York to Chicago, except that the minimum rates to Pittsburgh, Pa., 60 per cent points and higher, will be on a basis of 21 cents per 100 pounds from New York.

From New York, Philadelphia, Baltimore, and common points, to Buffalo and Niagara Frontier, 19 cents per 100 pounds.

In this example the rate to the 80 per cent group, namely, 21 cents, is applied as minimum to all points east.

The lesson to be learned from the above is that to procure the rate from Albany, Rochester, or any of the so-called "interior" Trunk Line groupings to western points for actual application to a shipment, the tariffs must be consulted, for, while the rate from Albany might be on the basis of 80 per cent of the rate from New York, the latter rate (particularly to any point in per-

centage groups east of the 81 per cent group), with few exceptions, would not be found made on the basis of the grouping shown in Map 3, *Atlas of Railway Traffic Maps*.

The percentage system, as used in the construction of westbound commodity rates, may be likened to the frame upon which the rate fabric is woven—the design perhaps may be a bit fantastic—yet the system is the foundation or pattern for all.

Albany, N. Y., and Points Taking the Same Rates.—For Albany, N. Y., the commodity-rate adjustment is somewhat different from that employed in the construction of class rates, in that it is first necessary to construct the rates from Albany to Chicago and then to scale it in accordance with the percentage assigned to the point of destination involved.

Under this adjustment, if we desire to construct the rate on clay (24 cents, New York to Chicago) the Albany-Chicago rate would first be constructed by taking 80 per cent of the New York rate, thus obtaining 19.2 cents per hundred pounds as the result. If then a rate were desired to some point in the 80 per cent group, 80 per cent of this amount would be taken resulting in 15.36 cents, or 15.5 cents, which is the same as the rate established for that group as shown in the following excerpt, which indicates rates on a few of the selected commodities to various western group points.

FROM ALBANY, N. Y. TO PERCENTAGE GROUPS	Pig Lead	Brimstone	Clay	Woods of Value	Ammunition (Fixed)	Cordage	Oysters	New Cotton Bags	Pig Iron①	Old Car Axles①
60.....	12.5	..	13.5	..	20	17.5	..	..	\$3.10	\$3.20
70.....	12.5	..	15.5	..	20	20.5	..	..	3.20	3.40
80.....	14	..	15.5	..	20	23	..	..	3.60	3.60
90.....	16	..	17	..	22.5	26	..	..	4.10	4.20
100.....	17.5	..	19	..	25	29.5	..	..	4.60	4.80
110.....	19.5	..	21	..	27.5	32	..	..	5.10	5.30
120.....	21	..	23	..	30	35	..	..	5.50	5.80

Rates in cents per 100 lbs. unless otherwise specified.

①Per ton of 2,240 lbs.

It will be noted from the foregoing that rates are not shown on brimstone, woods of value, oysters, and new cotton bags. It is necessary only to call attention to the fact that the first two commodities are not common to this locality, and while quantities may be imported through North Atlantic ports, there is no movement through Albany as an originating point. Consequently, no rates are shown in the tariff. Likewise, as far as oysters are concerned, this point is sufficiently removed from the sea coast to preclude (except possibly in rare instances) the movement of this commodity.

New Berlin, N. Y., and Points Taking the Same Rates.—Not much may be said with respect to this adjustment in addition to the information given in the table itself. The particular attention of the reader is directed to the difference existing in the basis as applied by one line as contrasted with another, indicating an exception to the general rule that competing interests usually maintain the same scale of rates in order to insure the equality of charges in so far as the respective systems are concerned. The presumption in this instance is, however, that as far as the line maintaining the higher rates is concerned, the disadvantage of its route is such that it cannot meet the rates of the more direct systems.

Ogdensburg, N. Y., and Points Taking the Same Rates.—What has been said with respect to the adjustment of rates from New Berlin, N. Y., applies with equal force to the rates from Ogdensburg, to short-haul points, namely, 67 per cent to 77 per cent group points, inclusive. Rates from Ogdensburg must be established which are usually on the Boston basis but not higher than those that obtain from Ogdensburg to 78 per cent territory.

An interesting fact concerning this group is the

relatively small number of commodity rates that are established therefrom as compared with the long list of articles from all other eastern groups. Many of these commodities are forwarded from this one group alone, which fact is the probable explanation of the varied bases for making rates for each commodity or commodity group (the group consisting of all allied articles, such as clay, talc, algalite), being rated under a different system.

Rochester-Syracuse, N. Y., and Points Taking the Same Rates.—From Rochester and Syracuse, N. Y., and points taking the same rates to percentage points shown on Map 4, general commodity rates are established on the basis of 70 per cent of the rates from New York to Chicago and other 100 per cent points. To points other than those located in the 100 per cent group, rates are scaled on the established percentage of the rate from Rochester or Syracuse to Chicago, this adjustment therefore involving the application of the double percentage.

For example, taking the rate on cordage based on the New York rate to Chicago of 36 cents, 70 per cent yields 25.2 cents as the Rochester-Syracuse-Chicago rate; 117 per cent of this figure yields 29.485 cents, or 29.5 cents as the rate from Rochester-Syracuse to East St. Louis, a 117 per cent point.

The following gives the rates on some representative commodities from this group to selected western destinations:

FROM SYRACUSE, N. Y. TO PERCENTAGE GROUPS	Pig Lead	Brimstone	Clay	Woods of Value	Ammunition (Fixed)	Cordage	Oysters	Cotton Bags	Pig Iron①	Old Car Axles①
67.....	11	..	13.5	..	17.5	17	..	..	\$2.70	\$2.80
77.....	12	..	13.5	..	17.5	19.5	..	..	3.10	3.20
87.....	13.5	..	15	..	18.5	22	..	..	3.50	3.70
100.....	15.5	..	17	..	21.5	25	..	..	4.00	4.20
107.....	16.5	..	18	..	23	27	..	..	4.30	4.50
117.....	18	..	20	..	25	29.5	..	..	4.70	4.90

Rates in cents per 100 lbs. unless otherwise specified.

①Per ton of 2,240 lbs.

There are some exceptions in the application of the general basis, for example, the general basis is not observed on bulk salt to Chicago, the rate of 10.5 cents being established. This basis is not applied to other percentage points and is defended on the ground of water competition. It will be observed that both Rochester and Syracuse are in close proximity to Lake Ontario ports, and that it is possible for the interests located thereat to avail themselves of water competition in the event of excessive rail charges. This fact tends to keep the basis of rates from this group on a low plane, possibly somewhat lower than would obtain were it not for this advantage possessed by these points.

Philadelphia, Pa., and Points Taking the Same Rates.—As in class rates, commodity rates are established from Philadelphia, in most instances, by employing differentials which have been agreed upon by the interested carriers, and are lower than the rates currently in effect from New York and New York rate points. However, there are several commodities for which the same rates are made applicable from Philadelphia as are current from New York, namely, common-black blasting powder, wire rods, wire—barb, binding, and fence—hay bands, etc. The class differential of the class rate which is the same as, or immediately higher than, the commodity rate is applied. For example, if a commodity rate from New York to Chicago is 26.3 cents, which is the same as the sixth-class rate, the rate from Philadelphia is 2 cents less or 24.3 cents. If the commodity rate is not the same as the class rate, the differential for the class rate next higher applies, that is, if a rate of 27 cents were established from New York to Chicago, this being slightly higher than the sixth-class rate, the fifth-class differential of 2 cents is applied, or stated another way, if a commodity rate of 59 cents were established from New York to Chicago, notwith-

standing that the rates more nearly approximate the third-class rate, the second-class differential would be deducted.

Baltimore, Md., and Points Taking the Same Rates.—The exposition of the Philadelphia adjustment holds good with respect to the bases employed from Baltimore, with the exception that the differentials on the first class and the second class are 8 cents, and the lower classes 3 cents per one hundred pounds, in contrast with 6 cents and 2 cents from Philadelphia.

In the application of these differentials, it is necessary in all instances, to first construct the rate from New York to the desired percentage group, that is, the rate is not to be established from Philadelphia to Chicago, in the first instance and then scaled, but it is to be scaled from New York to the various percentage groups, and the differentials authorized deducted from the rates thus established.

Scranton, Pa., and Points Taking the Same Rates.—What was previously stated with regard to the establishment of rates from the Rochester-Syracuse group is true so far as the adjustment of rates from Scranton, Pa., is concerned, except that the base rate from Scranton to Chicago is established on the basis of 80 per cent of the New York-Chicago rate instead of the figure employed from Rochester and Syracuse.

From Williamsport, Pa., and Points Taking the Same Rates.—The general adjustment from this group to the 60 per cent group is that whatever rates may be established from Baltimore are applied from Williamsport. To percentage groups, other than the 60 per cent group, commodity rates are scaled on the basis of 77 per cent of the rates from New York to Chicago and other points in the 100 per cent group, observing the rates from Baltimore to the 60 per cent group as minimum.

Representative commodity rates from Williamsport, Pa., to western percentage groups are shown in the following tabulation:

FROM WILLIAMSPORT, PA. TO PERCENTAGE GROUPS	Pig Lead	Brimstone	Clay	Woods of Value	Ammunition (Fixed)	Cordage	Oysters	Cotton Bags	Pig Iron①	Old Car Axes①
73.....	12.5	..	15	..	22	20	..	..	\$3.20	\$3.40
79.....	13.5	..	15	..	22	21.5	..	..	3.50	3.60
88.....	15	..	16.5	..	22	24	..	..	3.90	4.00
100.....	17	..	18.5	..	24	27.5	..	..	4.40	4.60
120.....	20.5	..	22	..	29	33	..	..	5.20	5.50

Rates in cents per 100 lbs. unless otherwise specified.

① Per ton of 2,240 lbs.

Cumberland, Md., and Points Taking the Same Rates.—In general, the rates from the Cumberland, Md., group are made the same as the Williamsport group with the exception that the minimum rates established from Baltimore to the 60 per cent group are observed only by the Pennsylvania Railroad and affiliated lines. Traffic moving from this group by the Baltimore & Ohio Railroad or lines other than the Pennsylvania System would not be subject to this requirement.

From Belington, W. Va., and Richwood, W. Va., and Points Taking the Same Rates.—In a very general way, the rates established on the commodity from this group are based on the Cumberland adjustment, that is, the rates from Cumberland are not exceeded except in special instances where peculiar circumstances, such as the length of haul involved, require a disregard of the Cumberland basis.

It will be observed that from this group to those short-haul points the length of the haul varies greatly, for example, the haul from Belington to Pittsburgh, a 60 per cent point, is materially less than from Belington to Erie, Pa.; and consequently, in many cases it will be found that to such points the basis has not been adhered to. There are, however, so many exceptions to this

basis that it might well be said that the rates are established by the carriers arbitrarily to meet conditions as they find them, observing, in a general way, the Cumberland, Md., rates as maxima.

From Lexington, Va., and Points Taking the Same Rates.—Commodity rates from the Lexington, Va., group are on the same general basis as from Baltimore. That is, the rates from the Lexington group are made the same arbitrariness under the New York rates as are the Baltimore rates, observing, however, in all cases, rates established from the Virginia Cities group to Pittsburgh as minimum rates.

From Virginia Cities and Points Taking the Same Rates.—The commodity rates from the Virginia Cities group (as indicated on Map 5) to percentage territory are the same as the rates from Baltimore to the same percentage group, except that the Virginia Cities groups are subject to varying minima, which minima rates are, as a rule, announced in connection with the information circular setting forth the base rate, the reason for which is the same as in connection with the class rate, namely, to equalize the competition of western gateways on traffic to and from points in southern territory.

FOURTH SECTION VIOLATIONS

What has been said concerning the violation of the fourth section of the Act to Regulate Commerce by the class rates is true in a great measure as concerns the commodity-rate adjustment. However, much freight is carried via circuitous routes, in which case, the application of the fourth section of the Act is violated. Circuitous routes may offer better service than the direct route either at point of origin or at the points of destination, that is, the delivery at the point of origin or destination may be more advantageous to the shipping

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public than that of the direct line, from which it would appear to be an injustice to the shipper, who receives better service via the circuitous route, to force him to ship only via the direct route. For example, the circuitous route may have a spur by the side of the plant, whereas the direct route has none and it therefore cannot give the same service as the more indirect route.

The procedure employed has been to require the carriers to file with the Commission petitions citing the instances in which the fourth section of the Act is not adhered to, and to petition the Commission for relief from the provisions of this section of the Act. After due consideration, the Commission grants or denies the petitioner's request. It has, however, been quite liberal in this respect, and where lines have been thus handicapped, it has permitted them to meet the direct-line rate where the intermediate points have not been unduly prejudiced.

Although this practice is in direct violation of the fourth section of the Act to Regulate Commerce, the Commission has been given power to grant relief from the section where it is justified by special circumstances. This power of the Commission gives better service to the shipper and allows the carriers to retain traffic developed at considerable expense by means of special facilities, and it does not involve unjustifiable discrimination. The ruling of the Commission appears to be based on sound principles.

Many thousands of these petitions have been filed by the carriers throughout the country, and, as fast as possible, the Commission is passing upon the propriety of the practice. During the interim, as long as the rates involved are covered by petitions, the carriers are permitted to continue the practice of exacting higher charges from intermediate points than may be exacted

from more distant points. Unless, however, the rate is thus protected, the prohibition of the Act with respect to charging a greater sum must be observed, and complaints may be filed with the Interstate Commerce Commission alleging the unreasonableness of the custom.

The basis for both class and commodity rates from groups in Trunk Line and New England territories to percentage groups in the United States, having now been explained, we will take up in the following chapter the adjustment employed in the establishment of east-bound rates from percentage territory to Trunk Line and New England base points.

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